A

As an automobile driver What more could you ask?

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ALL FOR THE PRICE OF THE INSURANCE ALONE
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• Scores of the leading mutual fire insurance companies paid larger dividends to policyholders in 1930 and 1931, than in any other two years in their history. Any business man can appreciate this forceful commentary on mutual stability.

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Millers Mutual Fire Insurance Co. . . . . Fort Worth, Texas
Pennsylvania Millers Mutual Fire Ins. Co. . . . Wilkes-Barre, Pa.
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Grain Dealers National Mutual Fire Ins. Co. . . Indianapolis, Ind.
Millers National Insurance Co. . . . . Chicago, Ill.

The MILL MUTUALS are *general* fire insurance carriers.
MUTUAL FIRE PREVENTION BUREAU
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Place your Fire, Automobile and Tornado Insurance through the Associated Lumber Mutuals

CENTRAL MANUFACTURERS' MUTUAL INSURANCE CO.
OF VAN WERT

INDIANA LUMBERMEN'S MUTUAL INSURANCE COMPANY
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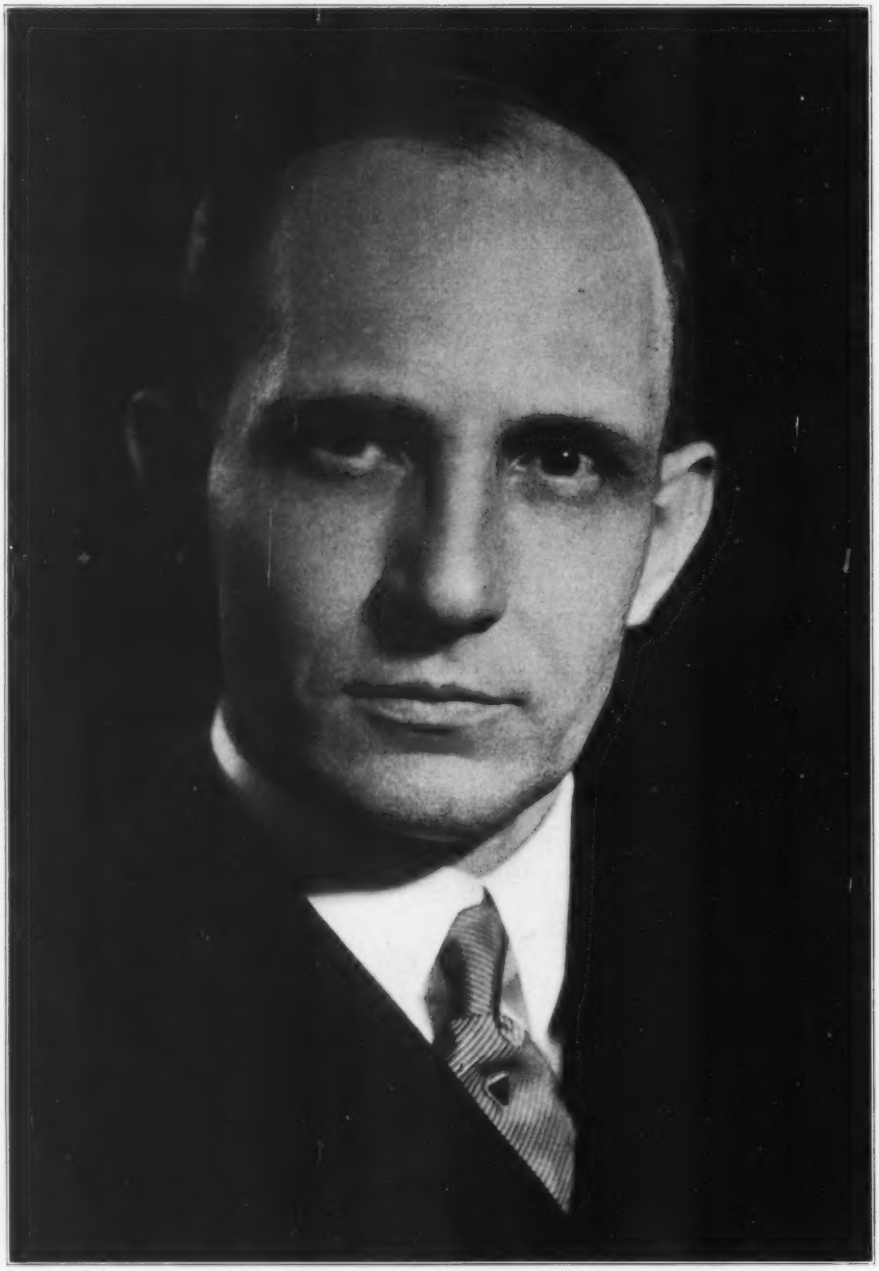
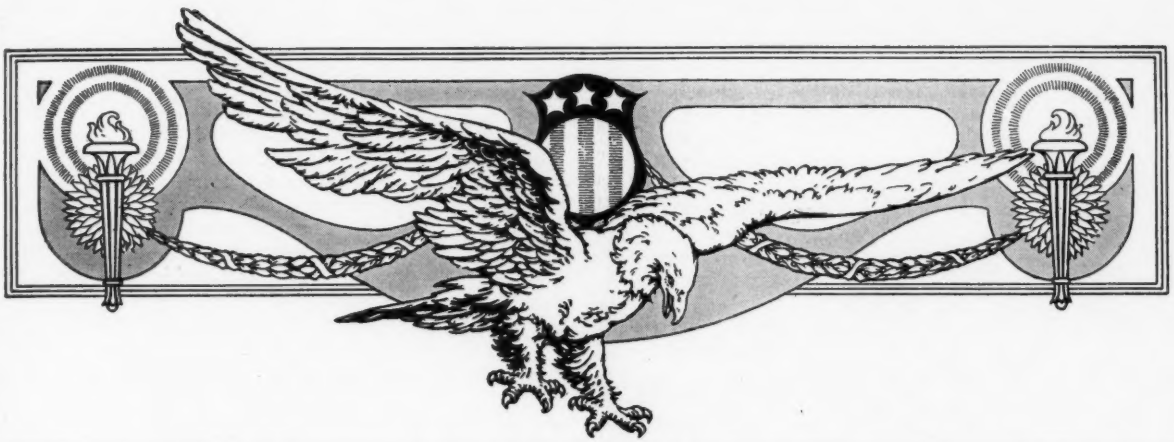


HON. JOSEPH B. THOMPSON

Superintendent of Insurance
State of Missouri

COMMISSIONER THOMPSON has that happy combination of genial personality and capacity for efficient organization which makes for successful administration. In addition the Commissioner has had an excellent background of business experience having been District Manager of the Standard Savings and Loan Association of Kansas City and General Agent of the Sentinel Life Insurance Company. Further he was Mayor of Ava and, for four years secretary to the Governor of Missouri.



Volume 9 MAY, 1932 No. 5

About the Insurance World

Brief Review of What Is In the Magazines and In the Mail Which Comes to the Editor's Desk

Interesting and Perhaps Wise Remarks HAVING experimented a few issues ago with several quotations, with little adverse result and some few remarks of commendation, we venture again to print several more paragraphs from current comment — accepting no responsibility for the ideas expressed, beyond the statement that they are thought-provoking.

Alfred P. Sloan, Jr., President of General Motors, discussing the change from individual craftsmanship to production of goods through assembly, says: "The one great point which distinguishes the old ways from the new . . . [is] the need for a constant supply of money. . . . An automobile cannot be turned out to graze on free pasture and the electric oven will not take the cuttings of the forest. . . . If the industrial worker is worse off it is only because the wealth he helps to create cannot be exchanged for money. . . . It would appear that our money system has not developed in step with either our industrial or our agricultural system."

David Finley in reveiwing H. G. Wells' new book on "The Work, Wealth and Happiness of Mankind" given us a pot pourri of his own views and excerpts from the volume under consideration, thus:

"But our mental habits and our political and financial institutions are * * * rigid. They have been much slower in their adjustment to these new methods of production than the welfare of our race demands."

"Directly Mr. Wells says: 'Things that are now impossible will become practicable, easy, and "natural." . . . There is no essential reason why a world-controlled monetary system should not be continually draining away indebtedness by a steady, gentle, continual monetary inflation; why it should be necessary to upset the balance of production and consumption by "savings"; why the creation of new productive capital should be possible only by the evocation of debts. The economic mechanism of mankind groans under a vast burden of debt now, by habit and custom, and not by necessity. Debt prevents plenty, it is a restraint and a subtraction, but debt is no more essential to economic life than was human sacrifice to the building of a bridge or the raising of wheat. Yet for ages men were unable to disentangle the one thing from the other.'"

John Coleman, Jr., ex-LaSalle St. Chicagoan, writing in the Atlantic Monthly for May descants half seriously:

"We are, I am afraid, not making the most of our depressions. They come so seldom that we dote too long on devastation. We shall, no doubt, all be the better for our purification. And so, having renewed our loan at the bank and spent our Christmas savings for Easter, let us step out from the shadows of the wailing wall.

"Of course, no one except a poet with an ear for royalties would ever pretend that the uses of adversity are sweet; but they have their softer side. During prosperity we are too busy to do much more than read the labels; now we can examine the contents. We can, in sundry pleasant ways, begin spending the time—aeons of it—stored up for us by all those time-saving appliances, bought appropriately enough, on time payments. We can be figuring out how to keep from making more money than we know what to do with, and begin to appreciate how many things we are able to get along without. We can learn how to interpret statements and balance sheets—and interviews with the Chairman of the Board; we can reflect upon the frailty of paper profits and decide upon what ought to be done with the fellow who tells us to 'put it away and forget it.'

"These, if we only knew it, could be the Golden Days of Gloom."

Factory Mutuals Win Decision Against N. Y. Dept. Control THE limitations on the authority of the State Superintendent of Insurance of New York to control the operation of companies outside of that state were stated in a decision of the New York Court of Appeals rendered on May 12th. The Factory Mutual Liability Insurance Company had filed an agreement that it would issue only assessable policies in New York, but a license was denied on the ground that it was permitted by its charter to issue both assessable and non-assessable policies, whereas similar New York companies are limited to the former, and the company could issue non-assessable policies outside of New York. The New York Court of Appeals dismissed the appeal of State Superintendent of Insurance, George S. Van Schaick from the judgment of the Appellate Division of the New York Supreme Court. In its opinion the Appellate Division decided against the contention of the Superintendent of Insurance that New York mutual companies are prohibited from issuing non-assessable policies, and that approval of the application would constitute a discrimination against such New York companies. The case is In re Factory Mutual Liability Insurance Company of America of Providence, Rhode Island.

A Curious Case of Contractor's Public Liability THE Kentucky Court of Appeals has held that a contractor's public liability insurance policy, which excludes injuries caused by automobiles or trucks, covers an injury to a pedestrian caused by his

slipping on a sidewalk even though the condition resulted from gravel falling from a truck used by the insured. The case was United States Fidelity & Guaranty Company v. Breslin.

James S. Kemper Analyzes Auto Rate Increases SPEAKING before the United States Chamber of Commerce, Mr. James S. Kemper, President of the Lumbermens Mutual Casualty Company of Chicago, placed the blame for increased automobile insurance costs on three principal factors. These are the inability of the insurance companies to control highway accidents, the lack of realization on the part of juries that high verdicts in accident cases mean increased cost to all motorists and the tremendous increase in the number of fraudulent claims. Mr. Kemper stated that the cost of automobile insurance is ultimately fixed by the drivers themselves and "that while insurance companies compute rates, they do not make them."

In discussing loss prevention as applied to workmen's compensation insurance cost, Mr. Kemper pointed out that each year since the enactment of workmen's compensation legislation there has been a steadily increasing realization that accident prevention was not only desirable from the standpoint of controlling insurance cost but was also of tremendous value in conserving man power, avoiding interruption to operation, and improving production methods.

The text of Mr. Kemper's address is printed on other pages of this issue of the Journal.

Inter-State Rating Plan for Compensation Insurance to Be Dropped THE National Council on Compensation Insurance will discontinue the Inter-State Rating Plan for Compensation Insurance, which has been operating to permit all the risks of a single corporation located in several states to be grouped together for rating purposes July 1st. After that date Compensation Risks will be experience rated individually as to states.

All states in which the Inter-State system has been functioning have approved the discontinuance of the plan with the exception of three. Approval is expected soon from them. However, the plan has never been adopted in several states, these including New York, New Jersey, Massachusetts, California, and Texas, this limited application being the main reason for its discontinuance.

Use and Occupancy Claims Must Be Reasonable THE Supreme Court of Washington has ordered a re-trial in the case of the Pudget Sound Lumber Co. vs. the Mechanics & Traders Insurance Co. The evidence at the trial disclosed that the company earned approximately only $800 per month of its large overhead during the four months preceding the fire. The jury, evidently believing that business was about to pick up, found that the insured would have earned $50,000 of its fixed charges and expenses during the reconstruction period. The Supreme Court held that this amount was so excessive as to have been rendered under the influence of passion or prejudice.

"Giving to the respondent testimony as to its probable experience during the months covered by the reconstruction period," said the Court, "all the weight which it can possibly bear, in our opinion, it still falls far short of due consideration being given to the experience of the business before the fire and furnishing adequate support for the verdict rendered."

The Court over-ruled the contention of the insured that the policies were based on the customary methods of accounting established and followed by the insured over a considerable period of time preceding the fire, and that these methods of accounting became a part of the insurance contract. It was held that no particular system of accounting is controlling in determining liability under use and occupancy insurance.

New V. P. of Merchants Mutual Casualty OWEN B. AUGSPURGER, President of the Merchants Mutual Casualty Company of Buffalo, N. Y., announced recently that Joseph Linder has joined the company as assistant vice-president. Mr. Linder will have the duties of actuary, in addition to representing the company before the various bureaus and associations with which it is affiliated. He was a partner in the firm of Woodward, Fondiller & Ryan of New York in charge of casualty insurance work at the time of accepting his present position. Mr. Linder is a fellow of the Casualty-Actuarial Society and an associate of the Actuarial Society of America, both by examination.

Have You a Little Garage in Your Home or Office? GARAGE sections in buildings of any class of occupancy are proposed in the report of the Committee on Garages to be presented at the 1932 annual meeting of the National Fire Protection Association in Atlantic City.

The Committee, plainly recognizing the seriousness of the traffic problem and the need for conservative action on the traffic situation as a measure of conservation of life and property, recommends a liberalization of garage regulations to permit parking garage sections in buildings in all classes of occupancy and thus to relieve street congestion. The report says in part:

"It is plain that if the automobile, if commercial vehicle or pleasure car, is to be of value and its economic use maintained, provisions must be made to take it into our business and theatrical districts. On the other hand, it must be recognized that the street is not the place to park cars, neither should it be used for the continuous loading and unloading of trucks. It follows then that if the car must be taken off the street when not in use parking facilities must be provided by practically all kinds of business for their patrons and others doing business with them.

"The large parking garage has its place in the solution of this problem, but because of the high land values in the districts where such garages are most needed, the parking charges necessary to make a reasonable profit are so high as to largely discourage their general use by the public.

"To bring about the desired result the average city must change its legislation regarding storage of automobiles. Such restrictions as prohibiting a garage within 500 feet of a school, church or other place of assembly must be removed if parking on the streets is to be ruled out and the use of the streets confined to traffic. Since the date when the present restrictive laws and ordinances had their inception there have been improvements in design and construction of the internal combustion engine and material reduction in the volatility of the gasoline used for fuel. As a result of the widespread service station facilities of the oil industry, there is little storage in handling of gasoline in the present day garage. Vulcanizing is rarely found in garages and this and other hazards, such as carbon and lead burning, can be suitably guarded."

The liberal provisions for the inclusion of garage sections in buildings of all occupancies are accompanied by strict requirements for building construction, segregation of the garage and other occupants, automatic sprinkler and other protection and good maintenance. Copies of the report may be obtained on request from the National Fire Protection Association, 60 Battery March Street, Boston, Mass.

Mutuals Have Good Growth in California Sunshine THE Underwriters' Report in its issue of May 12th presents interesting figures showing the trend of business in California. In the five-year period between 1926

and 1931 the California non-stock companies increased their proportion of business from 4.4% to 6.4%, much of this larger volume reflecting the steady gains made by the county mutuals. During the same period the foreign mutuals have increased their volume an approximate 10%. The consistent growth of the mutual companies' premium volume took place at a time when there was an equally steady decline in the premiums written by all companies. The 1931 fire premium income written in California by all classes of carriers dropped below $40,000,000 the first time in ten years.

Compensation Rates Up in New Jersey THE New Jersey Compensation and Inspection Rating Bureau has announced that increases averaging about 6% on 614 classifications of workmen's compensation insurance in New Jersey will take place on renewal business June 30th. The Bureau reaffirmed the rate on 67 other classifications and entered decreases on none. The increases have been approved by the Banking and Insurance Commissioner.

"You Can't Stop the Rain from Rainin" But You Can Insure A new form of policy contract was adopted by the Rain Insurance Association at its annual meeting April 14th. It permits 50% insurance to value, is issued on a 1/10 or 2/10 inch rainfall basis and is to be used only at locations in the United States which are equipped with the regularly established United States weather bureau having an automatic recording rainfall gauge.

The new policy pays the full amount of insurance named therein in the event the required precipitation occurs. It is believed by the member companies that with this new form more premium income will be realized as well as a wider spread of liability.

To Propose Uniform Auto Liability Policy for Canada UNDER the urging of the Insurance Commissioner a committee representing the liability insurance companies operating in Canada has been formed to consider and recommend forms of automobile policies suitable for use under the Automobile Insurance Act of 1932. This Act sets up the auto financial responsibility law and makes necessary a number of standard clauses. The adoption of a uniform policy in Canada and its success or failure there may be some indication of the prospects of puting through such a measure in this country.

Central Manufacturers Has New Sales Manual A new and unique application of sales literature is found in the two manuals which have recently been distributed to special and regular agents of The Central Manufacturers of Van Wert, Ohio. One of these, the Special Agents' Manual, is designed for use in securing new agents. It is an attractive 24-page, looseleaf, black leather binder in which the dominating selling advantages of The Central are forcefully told. In logical sequence they effectively build up to the closing point.

The Agents' Sales Manual is designed solely for the study of agents and hence is not as elaborate as the Special Agents brochure. This Manual is bound in an attractive, heavy brown paper cover. Its contents, with one or two exceptions, are the same as the Special Agents' Manual. It supplies agents with facts and selling ideas that they can use to get more business, and serves to familiarize them with the advantages of being a Central agent.

A well designed feature of the Special Agents' Manual is the explanation of the financial statement. Because comparatively few people can "read" a financial statement properly, this manual clearly and thoroughly explains and accounts for each item under assets and liabilities. This is done to prove conclusively the strength of the Company and make the financial statement a more effective sales point for agents.

Deny Agents Right to Renewal THE traditional position of the insurance agent with reference to expiration suffered a heavy blow through a decision handed down in the United States District Court in Alabama, which held that ownership of fire insurance renewals rest with the companies issuing the policies unless premium balances have been paid to the carriers. The case rose out of the bankruptcy of an insurance agency and the fact that the balances were not paid apparently influenced the court's decision.

Companies Troubled by Small Losses THE Western Underwriters' Association at its annual meeting gave a great deal of attention to the large amount paid annually on claims arising as the result of cigarette burns. Last year there were 6,309 claims paid for $91,849.00 where the loss was less than $25.00. Between $25.00 and $50.00 there were 1,921 claims for $75,475.00; between $50.00 and $100.00 there were 273 claims for $19,328.00; between $100 and $250.00 there were 133 claims for $20,803. This made 8,636 claims for $202,456 or 2½% paid on all Cook County losses and such claims constitute a third of all claims handled. The number of losses less than $50 was 8,230. While there are no definite statistics as to cigarette losses in all central western territories it is estimated here that they must range betwen $3,000,000 and $4,000,000. Cigarette losses constitute 1% of the Cook County claims.

Insurance companies often pay for entire rugs, fabrics, hangings or furniture pieces even if there is only a small burn. A suggestion has been made that a deductible clause be adopted in the fire policy to stop the drain which results from these losses.

Farmers Claim to Have Fewer Auto Accidents A number of mutual insurance companies have petitioned the Wisconsin Insurance Department to establish a fourth classification of automobile insurance rates. The three present classifications include the metropolitan areas, the rest of the larger cities, small cities, villages and towns. A fourth classification is now being sought for farmers who now belong to the third classification.

Commissioner H. J. Mortensen has asked these mutuals to present data to show their farm automobile experiences. One company has gathered statistics on the loss experience of twenty occupational groups and has found farmers incurred the smallest loss of all groups. If the showing on losses warrant the Department may set up a fourth classification, including all territory outside of incorporated cities and villages.

Wisconsin Has New Rules on Binders THE fire insurance rating bureau has prepared new rules governing the use of binders to meet the rulings of Commissioner Mortenson. Binders may be written, provided the premiums shall be paid for the time the insurance is in force by virtue of such binder and must name a definite period which shall not exceed thirty days. They may be renewed however for one thirty-day period provided a satisfactory explanation is filed with the bureau.

Where insurance is granted under binder, the policy when issued must be written to commence at the date on which the binder was effective.

Insurance World

(Continued from Previous Page)

If cancelled on order of the company, cancellation shall be pro rata.

If cancelled on request of the insured, cancellation shall be at short rate.

If binder terminates without issuance of policy, premiums must be charged at usual short rate except if cancelled on order of policy.

No binder shall be marked off without a proper charge for the time during which liability has been covered.

It is not permissible to bind a rated risk at an open rate or any other rate than the published figure but in all such cases the insurance shall be written at the published rate and if under blanket form and there is no published average rate, the highest rate applying to any portion of the risk shall apply to the whole.

A duplicate of each binder must be sent to the rating bureau for auditing, one copy being sent direct to company by agent.

Minnesota Enforces Wisconsin Law RECOVERY may be had in Minnesota against the estate of an insured, and liability may be enforced directly against the insurer in Minnesota, even though an action for personal injury does not survive in Minnesota, if the injury occurred in Wisconsin. Under the Wisconsin law liability for personal injuries survives the death of the tort-feasor and the law of that state imputes into every automobile liability insurance policy a provision making the insurer directly liable to an injured party for tort committed by the insured. The Minnesota Supreme Court in the case of Kertson v. Johnson, Administratrix, held that the direct liability of the insurer created by the Wisconsin statute would be enforced in Minnesota.

Connecticut Auto Law Operates Efficiently PROOF of financial responsibility was required of 9,431 motorists in Connecticut during 1931 as against 13,924 in 1930 and 18,573 in 1929, according to the State Department of Motor Vehicles. Compliance was secured in 6,269 cases and only 21 were posted for non-compliance with the statute.

Such proof was required in 81 fatal accident cases last year as compared with 79 in 1930; in 880 personal injury accident cases as against 1,611 in 1930; in 4,501 property damage accidents as against 11,272 in the preceding year; in 1,315 cases of convictions for operating under influence of intoxicating liquor as against 1,437; in 796 cases of convictions for reckless driving as against 1,086; in 205 cases of convictions for evading responsibility as against 225 and in 1,296 cases of convictions for speeding as against 86.

Commissioner Brown of Massachusetts Reappointed MERTON L. BROWN, Commissioner of Insurance of the Commonwealth of Massachusettes was reappointed for a second term of three years by Governor Joseph B. Ely. The appointment has been approved by the Governor's Council.

Montana Fire Losses Heavy ACCORDING to the annual summary of George P. Porter, State Auditor of Montana, the fire insurance loss ratio last year was 63% on the basis of premiums received and losses paid. Net premiums received by the company during the year were $3,598,697 compared with a total of $4,166,264 in 1930. Net losses paid in 1931 were $2,044,609 as compared with $2,266,576 in 1930.

Cunard Pier in New York Burns A loss of between $1,500,000 and $1,000,000 was sustained by the Cunard Steamship Co. when its largest pier in New York Harbor was completely destroyed by fire. The fire lasted for several days. The loss was fully covered by insurance.

Another Evidence of Mutual Quality in Auto Coverage COMBINED figures on the automobile experience of both stock and mutual companies as prepared by the New York Journal of Commerce show that the loss ratio of the stock companies was 58.4% and the mutual loss ratio more than 10% lower at 47.5%. The better experience of the mutuals in holding down their loss ratio might be attributed somewhat to good fortune but there is no such explanation for the even greater difference between the expense ratios of the two classes of carriers. The stock companies had an expense ratio of 49.1% while the mutual companies' expense ratio was only 33.5%. In other words the mutual companies operated at almost one-third less cost.

"Disability"—When Does It Begin? THE Supreme Courts of Minnesota and Nebraska recently have held that progressive industrial injuries are compensable. In the Minnesota case a workman collected for an infection which resulted from an industrial accident several months after the accident itself had taken place. The court awarded him compensation despite the provision of the Minnesota Workmen's Compensation law that "Unless knowledge be obtained and notice given within ninety days after the occurrence of the injury no compensation shall be allowed." The Court said: "The Workmen's Compensation Act does not contemplate the payment of damages for accidental injuries no matter how painful. It is only the disability or loss of earning power which results from the injuries that calls for compensation. So when the Act speaks of the occurrence of an injury it refers to compensable injuries and these occur when disability appears." In Nebraska it was held that the failure of an employee who suffers a slight injury, progressive in its course, to file a claim or bring suit for compensation within the time limited by law will not defeat his right of recovery, provided he gives notice and commences action within the statutory period after he has knowledge that compensable disability resulted from the original accident.

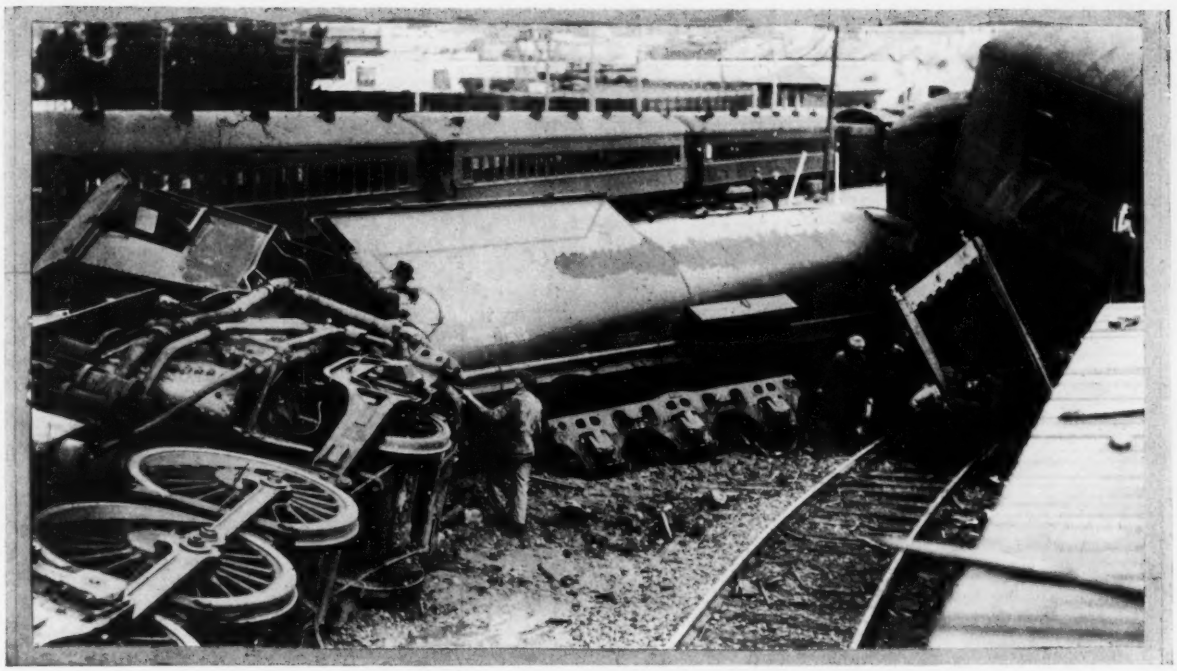
Interesting Summaries and Statistics TOTAL premiums written by all classes of companies in the United States during 1931 on fire and allied lines were $925,331,079.00, with losses of $496,593,168.00, producing a loss ratio of 53.7%, according to a tabulation prepared by the Weekly Underwriter. The 1930 total premiums were $1,058,505,962.00, with losses of $553,302,033.00, and a loss ratio of 52.3%. In 1929 premiums written by all companies amounted to $1,114,263,855.00 on which were paid losses of $491,771,455.00, or a loss ratio of 44.1%. The premiums of stock companies in 1931 were over $121,000,000.00 less than in 1930.

The loss ratios of American and Foreign stock companies entered in the United States were much higher than the loss ratios of the mutuals. American stock companies last year had a loss ratio of 56.9%, dropping from 64.5% the previous year. Foreign stock company figures were 54.3% as compared with 58.2% in 1930. The mutual loss ratio was only 35.9% varying little from the 1930 percentage of 33.7.

Not only did the mutual companies show a much lower loss ratio for both of these years, but their decline in premiums during 1931 was only a little over 6% as compared with the decline in stock company premiums of over 14%. The steady success of mutual insurance is thus apparent.

Statements by stock fire companies to state departments, show that the average fire rate in the United States

(Continued on Page 27)



No Matter in What Country Misfortune Strikes, Insurance Is a Ready Help in Emergencies

The Unity of All Insurance

A Plea for Better Training of Those Who Are to Enter the Field of Insurance as a Life Work

By Professor DR. ALFRED MANES
Berlin, Germany

AN overwhelming majority of all those who have ever taken up insurance either as a business or as a subject of theoretical researches have been and are limiting their respective activities to special fields all of which are quite insignificant in comparison with insurance in its entirety.

This limitation is noticeable in four different respects.

The first is in relation to the respective branches of knowledge, there being those specializing exclusively in insurance law or insurance economy, insurance medicine or actuarial theory and practice.

As a rule, this is combined with the second limitation to a single branch of insurance to which a special branch of knowledge is applied, being restricted exclusively, say, to life or fire or hailstorm insurance.

In addition to these quite frequently a third limitation is found, which is a local one, some people devoting their exclusive attention, say, to American or English life insurance law or the Scandinavian marine insurance practice, etc.

Lastly, for the practical insurance men all these limitations are further increased by a fourth restricting their activities to the service of a single company or institution for which they may work as long as they live without getting acquainted with any other concern.

It is, therefore, a logical necessity that what the overwhelming majority of all professional insurance men will particularly notice and emphasize are the separating features, divergencies and differences far more than what is common, uniform and in harmony in the various functions and forms of insurance. The reason is that what most members of the insurance fraternity have before them in plain and full view, possibly day in and day out, is a single and definite form or kind while all the other forms developed in insurance are either unknown or at least more or less unfamiliar to them.

It was an entirely new departure, no matter whether we call it revolutionary or evolutionary, when 32 years ago a number of eminent practical insurance men got together with like men devoted to theoretical insurance research and founded the "German Association for Insurance Science" (Deutscher Verein für Versicherungswissenschaft) at Berlin with a special publication entitled the "Periodical for the Entire Insurance Science." In this connection the term "entire" means that the association, its periodical and other publications, its library, and all its other institutions were to embrace and do embrace

All branches of insurance knowledge,

All cultural branches containing insurance,

All branches of business devoted to insurance.

FIRST consideration was accorded to all those branches of instruction which are largely subservient to insurance, viz: Economics, law, actuarial theory and mathematics, medicine; but also to sociology, statistics, the art of shipbuilding and

architecture. Besides, the social as well as the individual methods of insurance, and all its branches: Life, health and accident insurance as well as property insurance; the various forms and kinds of insurance organization and operation, such as joint stock companies and mutual associations, state-owned institutions and self-administrative public bodies, all come in for their proper share of attention.

Mere accumulation and simple addition, however, do not exhaust the full import or the purpose and ultimate aim of the association, its periodical and library, its meetings and courses of instruction: Beyond that there was to be a synthetic result, an uniform coordination and summary of what is common, conformable, identical among the various elements.

The very circumstance that in Austria, for instance, as well as in Italy, Czechoslovakia, and other European countries, associations have been founded which patterned their proceedings, meetings and publications after the German model, proves that this model cannot be based on a faulty or impracticable idea. Another equally conclusive proof of this is the fact that more than 1,800 members from 42 countries in all parts of the world belong to the German Association for Insurance Science, being careful readers of its periodical which has an edition of 2,400 copies, and many of them being active contributors as well.

IT can hardly be denied that a man, however efficient, who is called upon to spend his whole life in the service of one branch of insurance in one company of one country is bound to gather the impression that an individual believing that he can embrace all the phenomena of all branches of insurance of all companies and institutions is on a wild-goose chase. As a matter of course, no one man will ever be able during his short life to attain such an ideal state of universal knowledge. The only thing, however, in this connection that matters is the tendency, the plan, and the goal aspired to. The company official alluded to will, as a rule, consider this goal consummated in his service for the narrow special object of his company. On the other hand, the mental adjustment of an exponent of the entire insurance science is completely different. In fact, the better he s o l v e s his task the greater will be his lack of aptitude and ability to attend to the specialized duties of a life-long company official and to even come near the high standard of expert efficiency which the latter is required to and does attain in performing his daily work.

That is why the theoretical exponent of the entire insurance science will constantly be met and have to put up with the criticism that, from the viewpoint of an individual concern, he knows much less and is far less useful in the actual transaction of the insurance business than any experienced specialist of an individual company. But then, the former has no intention whatever to replace or supplant the latter; all he wants is to enlarge his knowledge, increase his store of information, and secure recognition of his point of view.

Now it is quite natural that the view which the specializing insurance man takes of insurance is wholly different from that taken by the exponent of theoretical universality. These two views are just as different from each other as a photographic view taken on the same plane is from one taken by a man in a flying machine high in the air. In fact, there are bird's-eye views of insurance and horizontal views of it, taken from nearby points in the immediate neighborhood, and it can hardly be denied that both of these views are justified. Neither view, however, can replace the other, nor could either be reasonably intended to supplant the other or deny its significance.

It may be said, however, without exaggeration that the centrifugal tendencies in treating, comprehending, understanding and presenting the subject of insurance far predominate over the centripetal tendencies and that pulling apart is the rule while coordinate concentration is the exception.

NOTHING could be more preposterous than an attempt to deny or minimize the advantages resulting from intensive specializing, yet this specializing tendency must not exclude everything else or be

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Insurance Unity in Its Best Aspects May Aid in Promoting the Unity of Nations

Justin Peters Elected Insurance Director Chamber of Commerce of U. S.

A NOTE of realistic optimism was struck at the Twentieth Annual Meeting of the Chamber of Commerce of the United States, held in San Francisco from May 17th to May 20th. The industrial leaders of America feel that the job ahead is a hard one and that it will call for the united efforts of the entire people to restore normal conditions, but they feel that it can and will be done.

From the standpoint of mutual insurance, the outstanding event of the meeting was the election of Mr. Justin Peters, the president of the Pennsylvania Lumbermens Mutual Fire Insurance Company, to the Board of Directors of the National Chamber representing the Department of Insurance. Mr. Peters was the nominee selected by the mutual insurance men of the country and his campaign was carried on by a committee of mutual executives headed by Mr. James S. Kemper. In the actual balloting Mr. Peters was the choice of the nominating committee by a vote of 175 to 64, receiving almost three times as many votes as his opponent, Mr. Charles W. Gold, the former director. This result is a great tribute to Mr. Peters' popularity, to the feeling among industry and commerce that mutual insurance is entitled to representation upon the Board of the National Chamber, and to the very energetic work of the campaign committee.

It is the opinion of all who know him that Mr. Peters will make a distinguished addition to the Board of the National Chamber and that he will serve the interest of insurance with the same zeal and ability for which he has always been noted.

The main theme of the meeting was "The Job Ahead." Almost every phase of American industry was represented somewhere on the program and the keenest minds of the country discussed the best methods for meeting and defeating adverse business conditions. The problems of transportation as exemplified by the railroads, and agriculture, together with the task of providing employment for the millions at present out of work, were the chief topics of the speakers before the Convention.

Insurance as a major factor in American business was carefully considered at a round table conference. The two major topics up for discussion at the insurance conference were loss prevention and a group pension plan. Mr. James S. Kemper of the Lumbermens Mutual Casualty Company gave an address on the subject of "Loss Prevention as Applied to Casualty Insurance Cost," in which he pointed out the fact that accident prevention, when carried on by determined and intelligent men, is almost always productive of results. In proof of his thesis Mr. Kemper cited some particular instance in which the accident ratio had been greatly reduced by safety work. Mr. Kemper's spech is printed in full at the conclusion of this article. Among the other speakers on the same theme were Mr. Barrett N. Coates of San Francisco, who discussed "Loss Prevention as a Factor in Life Insurance Cost," dealing with the efforts being made by the life companies to cut down the death rate, to decrease the frequency and severity of sickness and accidents and to minimize investment losses; and Thomas H. Anderson of the Liverpool & London & Globe Insurance Company, who considered the subject of loss prevention as a factor in reducing fire insurance cost.

JUSTIN PETERS

Mutual Executive Elected to High Honor in Insurance World

EXCERPTS from the text of resolutions adopted, as printed below, give the gist of the attitude of the Chamber on many topics.

Agriculture

AMERICAN AGRICULTURE must be made more generally and dependably prosperous than in recent years. This national objective cannot be obtained by experimentation, the losses of which, however heavy for the public, are most burdensome for agriculture itself.

The first step toward national policies which will give a new assurance for the future of settled agricultural enterprise is orderly liquidation of the results of experimentation which has proved disastrous for agriculture.

Anti-Trust Laws

THE JUDICIARY COMMITEE of the House of Representatives has proposed an inquiry into the applications of the federal anti-trust laws and the changes which present conditions may indicate and require for the national welfare and in the public interest. Ample provision should be made immediately by the House of Representatives for this investigation.

Balanced Budgets

NOTWITHSTANDING the enormous revenues of federal, state and local governments which have been annually increasing at a rapid rate, our federal and many of our state and local governments now find themselves in an unsound financial condition by every test of private and corporation business standards. Expenditures exceed revenue thus violating the elementary rules of prudent business procedure, both for the individual and the corporation. We therefore call upon the officials of our federal, state and local governments to balance their budgets both by the elimination of all unnecessary expenditures and the increasing of such equitably levied taxes as may be necessary as an emergency measure.

Chambers of Commerce

CHAMBERS OF COMMERCE have become an essential part of our civic and commercial life, and they have rendered signal service during periods of emergency. They should always be strong, central organizations performing, so far as possible, by means of their own departments, divisions and committees, all of those public and semi-public functions that have a widespread aspect coupled with a definite relationship to business.

Competing Forms of Transportation

UNREGULATED COMPETITION with regulated forms of transportation is unfair, contrary to the public interest in the losses which are caused, and inequitable to shippers whose interest is in dependable service and conditions.

Credit for Agriculture

FEDERAL CREDIT agencies for agriculture already in existence should for purposes of the emergency be strengthened in their operations. This is particularly true of those agencies which can render assistance in the maintenance of breeding herds in the livestock industry necessary for future agricultural welfare and the avoidance of losses in other parts of agriculture which can be made good only through many years of effort.

Economic Council

THE SIGNIFICANCE of success in these (the Council's) endeavors is apparent from illustrations of the subject with which the body that is planned will deal. They include the relationship of production to consumption, the methods by which wage levels should be determined and maintained, and the extent to which foreign trade, both export and import, should be encouraged and the methods which should be used. We express our confidence that the efforts which are being made will result in important accomplishments.

Employes Retirement Annuities

THAT EMPLOYERS individually and collectively should themselves provide ade-

quate reserves for unemployment and other benefits for their employes has already been declared by the Chamber. Information is being given to employers in all parts of the country about the manner in which they can proceed.

Provision for retirement of superannuated employes is now recommended by a committee of the Chamber. We ask of all employers thoughtful consideration of this report, and suitable action upon its recommendations.

Employment Exchanges

CONDITIONS OF UNEMPLOYMENT give added importance to a report prepared by a committee of the Chamber with respect to more adequate means for bringing together those who seek and need employment and those with employment to offer.

The operation of free employment agencies is a proper function for state and municipal governments. The federal government should limit its functions to coordinating state and local agencies, providing them with adequate services of interstate clearance.

Federal Aid and Subventions

FEDERAL AID in the form of grants from the federal treasury to the states has greatly increased both federal and state expenditures. The urgent need for reduction in all public expenditures makes timely a careful examination of the bases for federal aid in all of its forms, and the results which have been obtained, in order that only those forms, and those amounts, which may now be fully justified may be continued.

Government Competition

THE EARNEST POSITION of the Chamber of Commerce of the United States against the government engaging in any form of business enterprise in competition with its citizens has been repeatedly expressed. Since the last annual meeting the membership has been enlisted in a survey of the forms and extent of government competition. Much information has thus been brought together and placed at the disposal of the special committee which was appointed by the Board of Directors to study the subject in all of its phases. This committee has submitted a program report and will shortly present its considered recommendations.

Interstate Barriers

IN ORDER THAT every part of the country may have its greatest opportunity it must have the fullest possible access to all parts of the domestic market in the United States. Preference established by law, discrimination against business concerns, corporate or otherwise, of other states, and movements to discriminate against products from a distance offered under conditions of fair competition should have no place in the United States, and are inevitably harmful locally as well as to other parts of the country.

Merchant Marine

THE ASSISTANCE extended by the Merchant Marine Act of 1928 has enabled American steamship companies generally to hold their position against foreign competition. Under prevailing conditions the national interest urgently requires maintenance of this assistance. The support of the American merchant marine requires that the government should utilize its facilities to the fullest possible extent and refrain from operating competing services.

Railroad Transportation

RAILROADS SHOULD BE authorized to provide all those services of transportation which are most advantageous to the areas which they serve. In order that railroad transportation may be placed on the most efficient and economical basis the consolidation of railroads should be advanced with all possible sped. It is in the highest public interest that railroad transportation should be enabled to met existing conditions most effectively.

Recapture Clause of Transportation Act

EXPERIENCE HAS NOW amply demonstrated that the provisions of the Transportation Act of 1920 for payment to the government, in connection with the rule of rate making, of a part of so-called excess earnings of railroads is unworkable, unfair and a source of much expense without corresponding benefits. The practical objections have proved greatly to outweigh the theoretical advantage.

Retail Merchandising

IN ITS LEGITIMATE forms and methods retail merchandising should be free from unjust and discriminatory laws, state and federal.

Silver

STABILITY in the price of silver, and the absence of influences adversely affecting the price of silver, are of great importance to the welfare of silver-using countries and to all countries with which they have trade relations. As governments have been chiefly responsible for declines and fluctuations in the price of silver, and all countries have been affected by the consequences that have followed, it is fitting that they should through international conference endeavor to bring that adjustment among the monetary standards of all countries which will promote the trade and welfare of all.

Taxation

THE CHAMBER OF COMMERCE of the United States calls upon the legislative and administrative officials of federal, state and local governments for reduction in governmental expenditures, the elimination of unnecessary and questionable activities and a most careful procedure in the expansion of old, or the assumption of new activities, to the end that the private citizen and business may be relieved from the present intolerant burden of taxation.

Trade Associations

IN THE UNITED STATES there is no substitute for efficient trade assocations, and their development is not only in the interest of the fields of enterprise to which they are devoted, but also in the public interest. We commend this report to all industries and all branches of commerce.

Veterans' Legislation

REPARDLESS of the financial situation of the government there must always continue to be generous provision for all of those who suffered disabilities because of their war service. For expenditures which are being made for former service men who suffered no disability by reason of war service, and which have now become a substantial part of the yearly total the magnitude of which is reflected in the large sums which have been mentioned, there is no justification in the public interest.

Wages on Public Works

IN ORDER to afford the largest possible amount of employment the federal government is making large expenditures upon public buildings and other public works and there are pending in Congress proposals for even larger expenditures in order that the relief of unemployment may be still further extended.

The present provision of law that the so-called prevailing rate of wages must be paid in the construction of federal buildings is inconsistent in its operation with the very important public purposes of these expenditures.

ADDRESS OF JAMES S. KEMPER AT U. S. CHAMBER MEETING

IN times past in our consideration of the subject of loss prevention we have, as a usual thing, approached the subject largely from the standpoint of prevention of accidents and have left out of consideration other factors at least as important and certainly worthy of attention in this time of National distress.

The soundness and economic desirability of accident prevention in industry is so well established and so generally recognized that extended consideration should not be necessary. Each year since the enactment of workmen's compensation legislation there has been a steadily increasing realization that accident prevention was not only desirable from the standpoint of controlling insurance costs but was of tremendous value in conserving manpower, avoiding interruption to operations and improving production methods.

For several decades the keenest minds in the engineering world have pondered and worked on this matter of accident prevention in the laboratory and in the workshop. Studies of amazing thoroughness have been made and the solution in my opinion is available for those employers who will lay their hands to the job. That solution is that employers must in truth and in fact and not merely on paper make accident prevention an inherent part of plant routine. The executive heads of industry must themselves do this job for they alone have the authority and prestige to make it unmistakably clear that the policy of a factory shall be to conduct its business with the greatest possible safety. Furthermore, it may seem a startling fact but it is nevertheless a demonstrable one that those industries which have built safety into their operations from the ground up have at the same time increased their efficiency all along the line. It is no accident that U. S. Steel and Union Pacific and scores of lesser known concerns have combined into the highest records for operating efficiency in their fields with the best records in accident prevention. Industries as diverse as DuPont and Simmons Manufacturing Company testify that in their experience safety and efficiency are unquestionably linked together. "Our ex-

(Continued on page 22)

What Looks Like Chaos Is, on the Contrary, the Result of the Action of Orderly Laws

Origin and Hazard of Windstorms

A Critical Analysis of the Types of Windstorms, Their Frequency, Location and Resulting Property Loss From the Insurance Viewpoint

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PART III

Damage Resulting from Windstorms

THE types of windstorms occurring throughout the United States, their origin, frequency and region of occurrence have been discussed in previous articles. It is appropriate, therefore, at this point to consider the destructive effects of these storms, again keeping in mind the factors of severity and place of occurrence.

DESTRUCTION of real and personal property constitutes by far the most important kind of loss caused by windstorms. But other kinds of loss are often sustained. Loss of life occurs frequently, individual storms often causing numerous deaths. The Galveston hurricane of September 8th, 1900, which affected a large part of the southern coast of the United States, probably caused the loss of more lives than any other single storm. Including the deaths due to drowning, which cannot be separated because of lack of accurate data, this catastrophe caused more than 6,000 deaths on the Island of Galveston alone. Numerous other instances could be cited where the loss of life caused by windstorms was great. After the occurrence of such events, newspapers and other publications furnish fairly accurate accounts of what has taken place. For the country as a whole, however, and over a period of time, loss of life or injuries due to windstorms are not important enough to warrant the issuance of special forms of insurance covering these hazards. Deaths due to wind over a long period average less than 500 per year. Existing forms of life and accident coverage provide sufficient protection.

Indirect losses due to windstorms are important. Destruction of property frequently causes interruption to business and this in turn usually causes loss to those who own or occupy the property. The most serious sort of business interruption loss occurs when a manufacturing or mercantile concern is prevented from producing or selling goods as a result of damage to the property essential to the operation of its business. Other less tangible losses in the form of worry, inconvenience, loss of time, and loss of good-will, generally accompany this type of business interruption loss.

Even the Federal Government suffers through the loss of taxes when windstorm damage occurs. On April 18, 1929, the United States Board of Tax Appeals ruled that damage caused by "violent ice, sleet and windstorm" be "subject to deduction from gross income for that year . . ."

Other types of indirect loss sometimes charged to windstorms are loss of population, withdrawal of capital from the hazardous area, and the ad-

verse effects of storms upon the business and general efficiency of the community. While there may be some truth to statements of this kind, proof in most cases is lacking. Other factors are nearly always present and these may contribute to or even be the cause of the loss. For example, loss of population in a certain section might be caused by the collapse of a boom period in business rather than by severe windstorms which occur during the same period of time. A declining industry, if it is the chief source of income for the community, will bring about the same result.

Conditions Tending to Increase Windstorm Losses

WINDSTORMS often occur over sufficiently large areas and with enough violence to have the effect of conflagration losses. In the event of such a catastrophe certain conditions are generally present which tend to increase the loss due directly to the wind. These should be considered in connection with the presentation and interpretation of any compilation of data showing losses due to windstorms.

Fire often follows damage by a windstorm. The fire may affect one building or a large area. Although data showing the frequency and severity of fires following windstorms are not available, individual examples of such instances are numerous. The tornado which struck Murphysboro, Illinois, on March 18, 1925, is a good example of fire affecting a large area. This storm travelled about 200 miles over parts of three states causing total damage of well over ten millions of dollars. Most of this damage occurred in Murphysboro. In a special study of this storm made by the Inspection Department of the Associated Factory Mutual Fire Insurance Companies, it was stated: "Fire, which followed the storm, passed over much of the devastated area of Murphysboro, making it difficult in many places to judge what (damage) was done by wind alone."

When fire breaks out following a windstorm, numerous difficulties may be encountered in preventing further loss. Wind damage to the building may so impair the fire fighting equipment and other protective facilities that they become useless. Help may not be available because streets become blocked, water supplies cut off, and general alarm systems are out of commission. In cases of very severe storms the stricken community may for a time be isolated and unable to obtain aid from the outside. The St. Louis tornado of September, 1927, may be cited to illustrate this last point. After the storm occurred, local broadcasting stations which were not in the path of the storm, were utilized in sending out calls for assistance. In this way aid was promptly obtained from nearby communities. However, where the storm covers a large area, as was the case of the severe Florida hurricane in 1926, some communities may be isolated for days following the catastrophe.

During a storm damage often occurs which is not the result of violent winds or of the fire which may follow. Water damage in some form generally accompanies a storm. The presence of rain, hail, snow or flood not only increases the immediate damage but also presents additional obstacles to salvage operations. Tidal wave and flood damage occurs most frequently in territory located near oceans, bays, and rivers, while inland territory is subject to damage principally by rain, hail and snow.

In some cases the time of day when the storm occurs may be a factor affecting the amount of loss which results. The occurrence of a storm during certain times of the day is likely to cause more loss than if it occurs at night because of the larger amount of property exposed at the time. Again, the St. Louis tornado of September, 1927, may be used as an example. This storm which occurred in the early afternoon, caused damage of approximately $375,000 to over 2,400 motor vehicles, most of which were parked and in service on the streets at the time. Loss of life and the number of injuries were small because this storm occurred at a time when thousands of school children had just entered their class rooms following lunch and when most adults were in another part of the city not touched by the storm.

Property Damage

THE best sources of available information for property damage due to windstorms are the publications of the United States Weather Bureau. Reports of individual storms by newspapers and other publications are numerous but so scattered and incomplete as to prevent their use. Since 1916, the Bureau has been publishing

TABLE II
WINDSTORM LOSSES — 1916-1928, INCLUSIVE

State	Tornado Losses	Other Windstorm Losses	Total Windstorm Losses	Average
Alabama	$ 4,499,900	$ 7,876,850	$ 12,376,750	$ 952,057
Arizona	.....	462,250	462,250	35,557
Arkansas	6,482,500	1,423,800	7,906,300	608,176
California	362,000	5,111,000	5,473,000	421,000
Colorado	537,500	187,425	724,925	55,763
Florida	434,400	114,936,900	115,371,300	8,874,715
Georgia	2,177,300	1,208,850	3,386,150	260,472
Idaho	.....	2,000	2,000	153
Illinois	28,435,800	4,399,775	32,835,575	2,525,813
Indiana	13,158,800	4,044,400	17,203,200	1,323,323
Iowa	9,091,450	3,817,460	12,908,910	992,993
Kansas	10,173,150	2,350,450	12,523,600	963,353
Kentucky	3,583,500	4,927,000	8,510,500	654,653
Louisiana	1,752,400	12,589,700	14,342,100	1,103,238
Maryland and Delaware	576,000	3,954,300	4,530,300	348,484
Michigan	3,987,150	471,460	4,458,610	342,970
Minnesota	6,645,000	3,353,200	9,998,200	769,092
Mississippi	5,027,700	354,000	5,381,700	413,976
Missouri	29,852,100	2,826,650	32,678,750	2,513,750
Montana	59,500	89,530	149,030	11,463
Nebraska	3,255,100	300,100	3,555,200	273,476
Nevada	.....	.....	.....	.....
New England	1,343,000	969,000	2,312,000	177,846
New Jersey	50,000	585,000	635,000	48,846
New Mexico	29,000	26,000	55,000	4,230
New York	1,086,200	5,885,500	6,971,700	536,284
North Carolina	972,300	136,250	1,108,550	85,273
North Dakota	435,300	1,346,600	1,781,900	137,069
Ohio	6,471,050	3,188,200	9,659,250	743,019
Oklahoma	6,397,500	5,265,400	11,662,900	897,146
Oregon	14,200	250,100	264,300	20,330
Pennsylvania	1,595,500	842,000	2,437,500	187,500
South Carolina	3,828,600	2,231,900	6,060,500	466,192
South Dakota	1,194,000	3,156,300	4,350,300	334,638
Tennessee	1,556,050	1,572,800	3,128,850	240,680
Texas	7,382,550	31,614,150	38,996,700	2,999,746
Utah	.....	50,425	50,425	3,878
Virginia	442,600	617,600	1,060,200	81,553
Washington	250	575,750	576,000	44,307
West Virginia	30,000	321,000	351,000	27,000
Wisconsin	3,663,700	4,854,050	8,517,750	655,210
Wyoming	398,675	60,900	459,575	35,351
Total	$166,981,725	$238,236,025	$405,217,750	$ 31,170,596

Differing Air Pressures Sometimes Cause Building to Explode During the Passage of a Tornado

each year, statistics regarding windstorm losses, these losses being divided into two groups: tornado damage and damage by all other windstorms. Table II shows losses due to windstorms together with the average annual loss for each section. The amounts stated in the table are estimates of the damage done, collected through the field service personnel of the Weather Bureau. This means of collecting data accounts for the arrangement of the country into sections. With two exceptions (the combinations of Maryland and Delaware and the New England States) the sections coincide with state boundaries. Lightning, flood, hail, sleet, and snow damages are not included in the table. Effort was made in each case to exclude all but the damage due directly to wind.

Tornado Losses

TOTAL losses caused by tornadoes for the thirteen years were approximately $167,000,000, or an average annual loss of a little more than $12,000,000. Tornado losses thus constituted about 41 percent of all windstorm losses for the period. Since the tornado is the most violent of all types of winds, this percentage should be of particular importance to those who are interested in the prevention of windstorm losses.

Missouri leads the list with almost $30,000,000 in total tornado losses. This state ranked fifth from the standpoint of tornado frequency for this same period. (See previous article.) Illinois, which stood eighth in frequency had $28,453,800 in losses, or almost as much as Missouri. These two states were far ahead of the others, having tornado losses which average in each case well over $2,000,000 per year. Their losses were the highest, not so much because of the large number of tornadoes that occurred, but because the tornadoes passed over areas of great property values. The tornado that struck St. Louis on September 29, 1927, caused damage estimated by the Weather Bureau at $22,000,000.

Only one other state, Indiana, had tornado losses averaging over $1,000,000 per year. In this state total losses for the period exceeded $13,000,000. In each of the four states, Iowa, Kansas, Minnesota and Texas, total tornado losses ranged from $6,645,000 to $10,173,150, or an average annual loss range of $500,000 to $800,000. Arkansas, Ohio and Oklahoma had losses which averaged greater than $490,000 and should be included in this group.

In Alabama, Kentucky, Michigan, Mississippi, South Carolina, Nebraska, and Wisconsin, tornado losses averaged between $250,000 and $400,000 per year.

In many of the remaining states tornado losses were of considerable size. Idaho, Nevada, and Utah, however, had no losses reported, and in New Mexico, Oregon, Washington and West Virginia, losses were so small as to be negligible.

Other Windstorm Losses

TOTAL losses caused by winds, other than tornadoes, were $238,236,025 for the period. While this figure is more than twice that reported for tornado losses, almost half of the damage or $114,936,900 occurred in one state, Florida. Texas comes second with total losses of $31,614,150. Other states which had large losses were: Louisiana, $12,589,700; Alabama, $7,876,850; New York, $5,885,500; Oklahoma, $5,265,400; and California, $5,111,000. Total losses ranged from $1,000,000 to $5,000,000 in the following states: Arkansas, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, and Wisconsin. Nevada had no losses reported and Idaho, New Mexico, Wyoming and possibly some of the New England States had negligible losses.

Since the states of the southeast had the majority of the losses, it seems safe to conclude that hurricanes caused most of the losses due to straight winds. Six states, Florida, Alabama, Georgia, Louisiana, South Carolina, and Texas suffered more than $170,000,000 in losses, or about 71 percent of all losses caused by the straight winds. It is interesting to note, also, that in these states the tornado hazard is extremely important.

Variation in Losses

VARIATION in losses between states has been emphasized, both with respect to total and average losses for the period. But the use of averages should not obscure the fact that total damage for the country varied greatly from year to year. Furthermore, there were great variations in losses from year to year within each of the states. While the table does not contain figures showing yearly losses by states, certain com-

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Old Bogies Hobble In New Parade of Stock Propaganda

THERE were in the old days when declamation contests constituted a feature of district school programs certain recitations and orations which never wanted for applause from the gallery. One of these was Henry W. Grady's "Spartacus to the Gladiators," a part of which ran thus: "He who has met upon the arena every form of man or beast which the broad empire of Rome could furnish and who never yet has lowered his arm." It was a thumping good line and often inspired the orator who was delivering it with visions of future heroic actions in the arena of life.

As a matter of fact, Spartacus was not really boasting of his own prowess, or of the skill of his associates. Rather he was trying to put across the idea that blood and slaughter was a distasteful and wearisome business, and that if the gladiators were wise they would revolt against the tyranny which kept them flying at each others throats, and demand that they be allowed to seek a better and less hazardous occupation.

EDITORIALLY, we admit that after some years of "meeting every form of man or beast which the broad empire of stock company propaganda can furnish" we should greatly prefer to lower our arm and seek a long continued, if not a permanent armistice. There have been periods recently when we thought that this might be done. For instance, after we issued "Nine Detours From Truth on a Stock Agent's Highway" the stock publicity department was silent for a while. The same thing happened when we gave circulation to the editorial "There Go Two Stock Companies" proving that the mutuals all through history have had a survivalship twice as good as their stock competitors. Nor were there any big stock guns fired in answer to "Silencing the Claim That 34 States Ban Mutual Insurance." "Laying Another Stock Company Ghost" had a sedative effect, too, on the boys who used to like to bluster that stock company directors kept the business close to their palpitating hearts and that the stock agent was a pillar of civic virtue and a principal factor in building up the prosperity of his own home town. It became apparent that even a stock company propagandist or the agent who nonchalantly peddled his slander sometimes had attacks of conscience which led him, if not to sit on a pile of ashes and consider his sins, at least to take a look at the Ninth Commandment and speculate on the possible penalties for bearing false witness.

But the country having now fallen on evil times finds itself afflicted with a recrudescence of evils indeed. Stock insurance agents, driven to desperation by the continued loss of both big and small lines of protection and being loathe to see this good business slipping away because the public is coming more and more to see the economy as well as the quality of mutual insurance, have dusted off again the old propaganda files, patched up the moth-eaten arguments, dressed them in clothes of false respectability, and sent them out to kidnap the policyholders' dollars.

So here they come again, ladies and gentlemen, and we advise you to watch out for them — the citations of ancient legal cases, carefully concealing the black eyes and bumps raised by modern court decisions; the mutual-failure bogey, now on crutches because shot so full of holes by scientific research; the unlimited assessment straw man, now shaken pale and thin by the one hundred and fifty years and more of mutual record with scarcely any assessments at all;* the great stuffed shirt of stockholder capital, still pompous though much deflated by the necessity of building up surpluses; the hokus pokus twins of reciprocity and boycott, together with a procession of stragglers allied to the racketeer and dark-alley slugger. A motley crew, of course, but given some standing by the marble and mahogany of the offices from which they issue forth. And so we feel that we must take up the cudgels again and sound an alarm that the stock company agents will "get you if you don't watch out." For competition is becoming more ruthless of manner and more reckless of truth and much of the public, not being in a position to know that stock company propaganda is riding rough-shod over scruples of courtesy and common sense, may at first be deceived by the hullabaloo of mud-throwing.

The large user of insurance is of course not deceived, his staff of experts having at hand all of the record books which so conclusively in plain black and white figures show the advantage of mutual coverage from every angle of reliability, superior service, and low cost. But the small policyholder, whose combined business bulks large over all other kinds of protection in the nation, frequently is railroaded or otherwise coerced into considering only stock insurance because he does not at once detect that the stock propaganda procession limps as it passes by.

There are facts and figures to disprove every canard about mutual insurance uttered by stock agents, individuals or groups. We can go further and say that we have yet to see a piece of stock company insurance propaganda, generally distributed, which has in it any real semblance of a desire to tell the truth about the subject of insurance. The stock companies are held up as examples of perfect insurance protection and the mutuals are set down as representing the worst depth of bad business judgment.

The arguments given are not arguments at all, but sly perversions of the same type which a tricky lawyer uses to bulldoze a witness or deceive a jury. The readers of these propaganda pamphlets are not invited to investigate the insurance situation, but are led to swallow a figurative "dope" designed to stupify a prospect's business brain.

IN order to bring this subject of propaganda to a head, we are asking all friends of mutual insurance and, indeed, all friends of truth in advertising and fair play in

* Meaning the mutual companies with which the average business man comes in contact. The farm and local mutuals operating on a purely assessment basis are also proud of their record of substantiality and low cost service.

(Continued on page 18)

Life-Lights Against a Business Background

Those Who Carry the Flag

By S. J. DUNCAN-CLARK

THOSE who listen-in to the Jonesboro radio sketches broadcast by Philip Lord and his clever company may recall an incident of more than ordinary thrill and strong appeal which marked the gathering of Seth Parker and his neighbors on the eve of Memorial Day.

It was more than a pretty bit of sentiment, although it made my eyes a little misty. It seemed to me it carried a message which all of us might heed with profit. Peculiarly apt for the day of cherished remembrance, it is no less timely now. Not far ahead of us lies the Glorious Fourth, when the remoter history of our country will be recalled, and the turning of thought into channels suggested by the episode at Jonesboro, Me. will be good for our American souls.

The neighbors had gathered for the Sunday evening hour of song and discussion, according to their custom. Seth Parker and Mother Parker were acting as host and hostess with their usual geniality, when the telephone rang. Seth answered. It was old Grand-dad Eliot's daughter calling. Grand-dad Eliot was the last surviving veteran of the Civil War in Jonesboro. In his advancing years he lived with his proud memories. His daughter said she had just bade goodby to him at the cottage door. Dressed in his uniform, carrying a flag in one hand and an ancient musket in the other, he had insisted on marching out into the night and up the road, in honor of his departed comrades. She telephoned Seth to ask that he be on the lookout for Grand-dad. He was feeble, and when the excitement of his adventure had passed, he would be very tired. He might need help.

SO Seth had a lantern set out by the roadside, and telephoned the neighbor next beyond to do the same, and pass the word along the road so that at frequent intervals there would be light for the old patriot who carried the flag through the darkness. And Mother Parker took her place at the window to watch.

Presently into the circle of the lantern's radiance stumbled the lone, stooped figure, musket on shoulder and the Stars and Stripes held aloft in a hand that wavered tremulously.

The old man hesitated as he drew opposite the Parker's gate. The glow of the lamps within the house invited him. He was very weary, and the line of march seemed very long. A silent company of shadowy memories had tramped beside him, but they, too, seemed weary. He halted, pulled his stooped figure momentarily into soldierly posture and wheeled with precision, beckoning to his ghostly comrades. Then with the flag held a little higher he marched up the path to the house.

An understanding welcome awaited him, and all the gathered guests did him honor. A little later Seth hitched up the horse and drove him back to his cottage home, a very tired, but a very happy old man. He had made his last march. He had carried his country's flag for the last time — through the darkness.

It was a touching story, but it was more than that. It seemed to me as I reflected upon it that there was a meaning in the story which we ought not to miss. Maybe Philip Lord did not have that meaning in mind. Maybe all he intended was to awaken tenderness and sympathy for the few brave old fighters who are left to us. But he will not object if I discover a meaning with a message for those of us to whom has been entrusted the flag Grand-dad Eliot carried.

THERE are tired men carrying that flag today—men in difficult and responsible governmental positions; men in business; men in industry; men in social service; men with jobs and without jobs—and women, too. It is a hard road, and a dark road over which the march must be made. Every man and woman who is honestly and faithfully sticking to the duty of the hour; who is thinking of comrades needing leadership and help; who is pushing forward in spite of discouragements, and beckoning to others to follow — all such brave hearts are carrying the flag.

Memorial day and Independence day recall the spirit that made and preserved America. They signalize the victories of sacrifice. We are proud of the events associated with them. We are inspired by remembering them. But the struggle to realize the dream of a united, prosperous and happy America is a constant struggle, with its peace-time challenges no less than those that were begotten of war. We are fighting a battle now to keep America true to its ideals, and to make those ideals true in its life. It is a battle quite as momentous as any battle of the world war, or the civil war or the war for independence. The foes are more subtle; they attack from many quarters and in strange ways.

The flag must go forward!

This is no time for slacking or self-saving. It is time for everyone to play his part with thought for all the rest.

This is no time for criticizing those who carry the flag, for denouncing them because they stumble, because the hand shakes that carries Old Glory, because their steps are sometimes halting. It is time to cheer them on. It is time for those of us who may not be leaders in this long and arduous march at least to set our lanterns out along the road, and let the leaders have the comfort of the light.

We can help maintain the morale of the flag-bearers — we must help, because if they fail we all fail.

THE Stars and Stripes today must mean to every loyal American national unity in defense of the social order, of the economic structure which sustains the homes of the American people. He who raises factional cry; he who seeks to profit by the misfortune of the many; he who wails in defeatist terms is a traitor to America.

The road is dark, but by the lanterns of those who have faith in America the flag can be seen pushing on to the light of a new day and a new birth of freedom from our fears. The memories of the past throng about us, proclaiming that the flag has never failed. Its stars are our steadfast hope.

He Got a Plenty

"Now," said the college man to his dad at the football game, "you'll see more excitement for two dollars than you ever saw before."

"I don't know," replied the old gent; "that's what my marriage license cost me."
—*Malteaser.*

Old Bogies in New Parade

(Continued from Page 16)

business, to send to the Journal of American Insurance any samples of anti-mutual literature which may be presented for their attention.

We are preparing an exhibit of the various types of "spite" circulars and pamphlets which have been flooding the country. In our collection are already dozens of strange and outlandish samples, but we should like to get at least one specimen of every one of these spurious publications, so that we may confront the high officials of the stock insurance world with this evidence of the unscrupulous villification of mutual insurance which has been promoted, if not by their direct sponsorship, at least with their tacit permission.

If the stock agents want publicity, we are impelled to aid them in their purpose by showing to the world how senseless and unbusinesslike are the methods they employ.

Lumbermans Mutual Casualty Elects Officers and Board

HARRY A. WHEELER, former president of the Chamber of Commerce of the United States and a director of the First National Bank of Chicago, was elected a member of the Board of Directors of the Lumbermens Mutual Casualty Company at its recent annual meeting. Mr. Wheeler has served for several years as chairman of the company's Securities Committee.

Harry E. Stone, President of the Lumber Mutual Fire Insurance Company of Boston, was elected also to the Board and James P. Orr, President of the Potter Shoe Company, Cincinnati; Charles J. Rittenhouse, Secretary-Treasurer, Rittenhouse and Embree Company and George P. Rinn, President of the Phillip Rinn Company, both of Chicago, were added to the Advisory Board.

All of the former officers of the company were re-elected and H. L. Kennicott, Assistant Secretary, was elected Resident Secretary.

Frank J. Heitmann, President of the Heitmann Lumber Company of Chicago; L. G. Purmort, Secretary of the Central Manufacturers' Mutual Insurance Company, Van Wert, Ohio and Fred H. Ludwig, President of the Merritt Lumber Yards, Inc., Reading, Pa. were added to the Board of Directors of the American Motorists Insurance Company, an "L-M-C" affiliate. F. A. Barker, field superintendent of the company's Central Department, was elected Assistant Secretary and G. H. McClure, formerly Assistant Secretary and manager of the Auditing Department, was elected Assistant Treasurer.

THE Lumbermens is approaching its twentieth anniversary, having been formed in November, 1912, thus dating from the beginning of the Illinois workmens compensation law.

While at first confining its activity to the lumber industry, it soon enlarged its services to include other fields. The company not only insures compensation risks but covers automobile hazards, elevator liability, burglary, plate glass, personal accident insurance, and fidelity bonds. Fire insurance and allied lines are insured in associated mutual companies.

The Lumbermans Mutual Casualty Company was a pioneer among mutual insurance companies in the field of automobile insurance, writing its first policies in that line in 1913. As this coverage assumed increased importance with the rapid growth in the use of the automobile, Mr. Kemper quickly realized the possibilities the line offered and developed the company's facilities for handling automobile insurance into its present high state of success.

The "L-M-C" is the largest company in the group comprising the nation-wide insurance organization known as Kemper Insurance. This group last year wrote in excess of twenty million dollars in premiums.

PROF. A. L. BISHOP

Prof. A. L. Bishop of Yale Insurance Scholar, Dies

PROFESSOR A. L. BISHOP, who occupied the chair of Business Administration in Yale University for a long period, and was of wide reputation as a scholar in the field of insurance died on April 8th at New Haven.

After a brilliant career as a student during which he achieved Phi Beta Kappa and received a degree of M.A. and Ph.D. and later was elected to Sigma Xi, he began teaching. By rapid steps he made his way in the educational world until he arrived at a full professorship at Yale. In 1930 his Alma Mater (Acadea College) conferred on him the degree of Doctor of Civil Law (honoris causa).

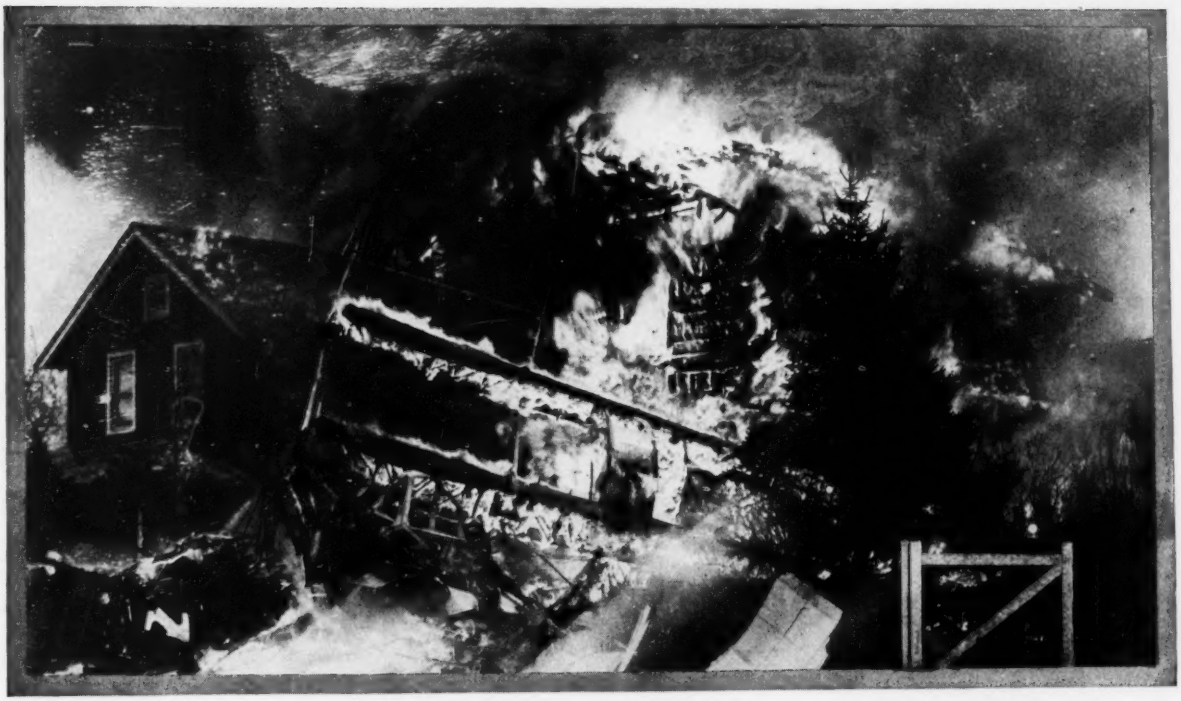
PROFESSOR BISHOP was the author of countless books and magazine articles. His latest volume, entitled "The Financing of Business Enterprises," published by Harper & Brothers, New York City, has had a wide sale, both as a textbook in colleges and universities in the United States and Canada, and has been in great demand also among business interests in the United States. It has been adopted in over sixty colleges and universities in the United States and Canada, outstanding examples of which are the American Institute of Banking, New York City; Babson's Institute; Brown University; New York Stock Exchange Institute; Ohio State University; University of Buffalo; University of Cincinnati; University of Delaware; University of Iowa; University of Kansas; University of Minnesota; University of New Hampshire; University of Nevada; University of Saskatchewan, Yale University and numerous others.

In the twenty-nine years that Professor Bishop taught at Yale he had nearly 6,000 different students in his classes. His specialties during the last five or six years had been Business Finance and Insurance, and he was looked upon as more or less of an authority in both of these subjects.

To his students he was inspiring and stimulating; to his associates a most learned and congenial colleague and, above all, to his countless friends a gentleman and a scholar.

The Journal of American Insurance in which many articles by Professor Bishop has appeared, joins with thousands in the insurance world in mourning the passing of this excellent mind.

The Journal of American Insurance will be found a great aid in keeping up to date on insurance topics and particularly on insurance news as related to the mutuals. The subscription price is $2.50 per year. Address The Journal of American Insurance, 230 No. Michigan Ave., Chicago, Illinois.



Careful Inspection of Property BEFORE Anything Happens to It Is a Prime Essential of Good Insurance Management

Increase of Hazard in Fire Insurance

Rights and Duties of Carriers and Assureds In Case the Conditions Surrounding Property Named In Policy Are Altered

By JESS H. ROSENBERG
Former Research Assistant in Law of Insurance, at Columbia University and an Editor of The Columbia Law Review.

PART II

In the previous installment, it was shown that fire insurance companies protect themselves against subsequent changes relating to the insured property, which increase the fire hazard, by two methods: (1) Insertion in the policy of provisions, voiding the insurance upon the occurrence of specified, enumerated contingencies. (2) Insertion in the policy of a general catch-all clause voiding the insurance "if the hazard be increased by any means within the control or knowledge of the insured." With reference to the scope and judicial interpretation of the general "increase of hazard" clause, the distinction was drawn between factors affecting the "physical" hazard and those affecting the "moral" hazard, since some jurisdictions confine the application of the clause solely to changes which increase the "physical" hazard. Finally, attention was directed to the universally accepted interpretation of the clause as relating only to fairly "permanent" changes, and not to "temporary" or "casual" changes, which may increase the risk of fire.

WHERE the policy clearly provides that it is to be void if specifically enumerated conditions are violated, elementary principles would demand the avoidance of the policy upon such violation. It would be entirely immaterial, in the absence of statute, whether the breach of such a stipulation constitutes in addition, an "increase of hazard" or not. Some courts, however, in their over-solicitousness for the unfortunate insured, have lost sight of this principle, and seek to show that the breach of a specific condition constituted also an "increase of hazard," before holding the policy avoided.[22] In a few states this result has been reached by the unobjectionable method of legislative enactment of a statute providing that the violation of any term in the policy shall not violate the insurance, unless the violation increases the risk or hazard, anything to the contrary in the policy notwithstanding.[23]

Most courts correctly hold that the specific conditions of the policy and the general "increase of hazard" clause are to be treated as mutually exclusive and independent.[24] In other words, if a specific condition of the policy is violated, the insurance is avoided without regard to whether the hazard has been increased; and conversely, if the hazard has been increased, the policy is void whether or not some specific condition of the policy has been violated.

HOWEVER, that principle is subject to some modification. Let us take a policy which provides for avoidance: (1) If the hazard be increased, or (2) If there be kept, used or allowed on the premises — gunpowder exceeding twenty-five pounds. Suppose the insured purchases and keeps very near his stove twenty pounds of gunpowder. No one will doubt that the hazard is thereby substantially increased. But is the change one which is contemplated by the "increase of hazard" clause, avoiding the policy? It would seem that the specific condition avoiding the policy

[22] See *Lee* v. *Agricultural Ins. Co.*, 79 Iowa 379, 44 N.W. 683 (1890).

[23] See, e. g. WIS. STAT. 1929, § 209.06.

[24] *Imperial Fire Ins. Co.* v. *Coos County*, 151 U.S. 452, 14 Sup. Ct. 379 (1894); *Boatright* v. *Aetna Ins. Co.*, 1 Strob. L.R. 281 (S.C. 1847); *Thuringia Ins. Co.* v. *Norwaysz*, 104 Ill. App. 390 (1902).

for keeping more than *twenty-five pounds of gunpowder,* contains an *implied permission* to keep an amount *up to* twenty-five pounds. Hence, the policy should not be avoided because of the keeping of less than twenty-five pounds of gunpowder, even though the hazard be increased. To that extent, the "increase of hazard" clause is modified by the specific conditions in the policy.

The above reasoning is exemplified in a case[25] construing a policy which contained, in addition to the "increase of hazard" clause, a provision avoiding the insurance if the premises were to be vacant *and* unoccupied. The premises later became unoccupied, but since the furniture was permitted to remain, the house was not "vacant." The insurance company contended that the policy was avoided for breach of the "increase of hazard" clause, since unoccupancy by itself constituted a substantial increase of hazard. The court held, however, that unless the premises were both vacant *and* unoccupied, the insured could recover on the policy, and rejected evidence tending to show that the unoccupancy by itself increased the risk of fire.

Another case[26] indicates that the increase of hazard clause may sometimes come in conflict with the principal "coverage" clause of the policy. A fire insurance policy insured a herd of cattle against fire while located "anywhere." The policy also contained the general "increase of hazard" clause. During the term of the policy the cattle were shipped from the pasture to a stockyard, where they were confined in pens—concededly a change increasing the risk of fire. It was held, however, that the policy was not avoided, since the "increase of hazard" clause is deemed to be modified by the "located anywhere" provision.

IN the previous installment, it was indicated[27] that the prevalent type of "increase of hazard" clause provides that the policy is to become null and void *if* the hazard be increased, etc. Most specific conditions in the policy are couched in similar phraseology. However, many companies and "standard" policy forms have now supplanted that type of condition by one reading that the company shall not be liable for loss or damage occurring *while* the hazard is increased, etc., or *while* specific conditions exist. The purpose and effect of the change is obvious. Suppose in January and February the insured stores several dozen sticks of dynamite in his house. In March, he removes them, never to be returned again. In December the house is destroyed by a fire caused by a defective flue. Proper construction of the earlier "if" condition would compel denial to the insured of recovery on his policy, because of his violation of the terms of the policy, in January and February. Under the "while" clause, the insured may recover, despite violation of the conditions of the policy, unless the facts constituting such violation exist at the time of the fire. The breach or violation, however, even under the "while" clause, need not cause the fire or contribute to the damage. So long as it exists at the time of the fire, the policy is avoided.[28]

Most jurisdictions give to the "if" condition the construction which we have set forth above.[29] But some courts, sympathetic towards the insured whose sin lay buried in the past, evolved the theory that breach of a condition does not avoid the insurance, even though the policy expressly stipulates that it have such effect.[30] According to these minority jurisdictions, facts constituting breach of a condition merely "suspend" the operation of the policy, the latter "reviving" immediately upon the cessation or removal of the facts constituting the breach of condition. Thus, by a bit of judicial legislation, these courts really converted the "if" clauses into "while" clauses, since recovery on the policy would be barred only if fire occurred while the policy is "suspended," i.e., while the breach of condition exists.

TEXT-WRITERS as well as judges have often fallen into confusion from a failure to distinguish clearly between the theory underlying the "suspension" doctrine, in its application to the "increase of hazard" clause, and the requirement, discussed above,[31] that a change be "permanent" rather than "temporary," in order to fall within the contemplation of the "increase of hazard" clause avoiding the policy.

The "suspension" doctrine dictates the *effect* on the policy of a change, *after* we have ascertained that it is such a change as to constitute an "increase of hazard" within the meaning of the policy. The "permanency" standard relates to whether or not a change falls at all within the scope of the "increase of hazard" clause. The "suspension" doctrine declares that an ascertained "increase of hazard" will avoid the policy only if it is present at the time of the fire. On the other hand, if we determine that a change is not sufficiently "permanent" to fall within the scope of the "increase of hazard" clause of the policy, it will not avoid the policy, even if it is present at the time of the fire, and actually is the cause thereof.[32]

Early policies containing a provision avoiding the policy "if the hazard be increased," usually contained no qualification to the effect that such increase must be by means within the control or knowledge of the insured. Accordingly, it was generally held that the policy was avoided whenever the hazard was increased, whether the facts constituting the increased hazard were within the insured's control or knowledge, or not.[33] Thus, where without any knowledge on the insured's part, a tenant or servant or even a stranger, increased the hazard, the policy was avoided. Where a specific condition, e.g., keeping of gunpowder, was involved, the courts uniformly held that the breach avoided the policy irrespective of whether the situation was within the insured's control or knowledge.[34] However, with regard to the unqualified "increase of hazard" provision, several courts considered the penalty imposed on an innocent insured too harsh, and so imported into the policy the qualification that the situation constituting the increase of hazard be within the control or knowledge of the insured. So, in a case where the policy provided merely that it be void "if the hazard is increased," the occupant of the building adjoining the insured premises furnished such building as a grocery store and stored large quantities of kerosene oil therein. The insured was permitted to recover on his policy, the court construing it as though it read "if the hazard is increased by any means within the control of the insured."[35]

Today the "increase of hazard" clauses of virtually all policies are qualified by the words "by any means within the control or knowledge of the insured." Occasionally one finds a

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[25] *Herman* v. *Merchants' Ins. Co.*, 81 N.Y. 184 (1880).

[26] *Dabney* v. *Conn. Fire Ins. Co.*, 104 Kan. 796, 180 Pac. 784 (1919).

[27] *Supra* p. 3.

[28] *Filardo* v. *Nat. Union Fire Ins. Co.*, 224 App. Div. 136, 229 N.Y. Supp. 682 (4th Dept. 1928).

[29] *Imperial Fire Ins. Co.* v. *Coos County*, *supra* note 24; *Kyte* v. *Commercial Union Assur. Co.*, 149 Mass. 116 (1889); see *Adair* v. *Southern Mut. Ins. Co.*, *supra* note 18; RICHARDS, INSURANCE (3d ed. 1909) § 309, 333.

[30] See *Traders Ins. Co.* v. *Catlin*, 163 Ill. 256, 45 N.E. 255 (1896); Note (1907) 10 L.R.A. (N.S.) 736.

[31] *Supra* p. 6, *et seq.*

[32] See cases cited *supra* notes 18, 19, 20.

[33] *Howell* v. *Williams*, 16 Md. 377 (1860); *Long* v. *Beeber*, 106 Pa. St. 466 (1884).

[34] *Miller* v. *American Eagle Fire Ins. Co.*, 253 N.Y. 64, 170 N.E. 495 (1930); *Liverpool & London Ins. Co.* v. *Gunther*, 116 U.S. 113, 6 Sup. Ct. 306 (1885); *Edwards* v. *Farmers Mut. Ins. Assoc.*, 128 Ga. 353, 57 S.E. 707 (1907); *Westchester Fire Ins. Co.* v. *Ocean View Pleasure Pier Co.*, 106 Va. 633, 56 S.E. 584 (1907).

clause modified only by "within the control of the insured," or one which has only "within the knowledge of the insured." The Massachusetts Standard form of policy which has been adopted in a few other states, is somewhat more elaborate, reading: "by or with the knowledge, advice, agency or consent of the insured," but its effect is substantially equivalent to the prevailing "control or knowledge" provision.

ADOPTION of the Eighteenth Amendment and the passage of the Volstead Act, appear to have brought about an increase in the number of cases finding their way to the appellate courts, requiring construction of the "increase of hazard" clause in its application to the installation of stills, and the manufacture of alcohol. A landlord rents a portion of his insured building to a tenant. The latter then installs his apparatus for making liquor, and proceeds to carry on his business on a large scale. After a fire, the insurance company refuses to pay the landlord, contending that there has been an increase of hazard within his control or knowledge. But the landlord, in horrified, righteous indignation, pleads absolute, utter ignorance of the fact that his tenant was a bootlegger. Thereupon, the sophisticated court will probably look skeptical, and hold that the landlord must have known of the increase of hazard. It may point to the difficulty of installing cumbersome apparatus, without being observed, and the noise and odors accompanying the making of liquor. As the court declared in a recent New York case:[36] "To say that it would be possible for all this to go on under the nose of the owners, who all this time were living in such close proximity to the property, and they knew nothing of it, is to tax one's credulity to the breaking point."

It will be noted that in all these landlord-tenant cases, the court will make a great ado about the presence or absence of *knowledge* on the part of the insured, but will shy away from the issue of *control,* as found in the phrase "by any means within the control or knowledge of the insured." Suppose it is definitely proved that the landlord really had no knowledge of the acts of his tenant which increased the hazard. Is he barred from recovering on his policy, because the landlord-tenant relationship or the lease places all acts done by a tenant on the leased premises within the landlord's control? Courts have skirted about the edge of the problem, but have thus far hesitated to decide it.[37] Until they meet the question squarely, and decide it one way or the other, we too, must remain in doubt.

The general question of how the issue of the existence of increase of hazard, or the insured's knowledge thereof, is to be determined, is of paramount importance to insured and insurance company alike. Juries are notoriously sympathetic towards an insured who has recently been visited by a sudden misfortune, and are only too eager to transfer money from the "bursting coffers" of the insurance company to the pocket of poor Mr. Insured. The latter's attorney, in a suit on the policy, will therefore, exert every effort to establish sufficient evidence to induce the judge to permit him to go before the jury. The attorney for the insurance company, on the other hand, will seek to have the judge decide the issue himself as a matter of law, or declare that the evidence is so clearly in favor of the insurance company that he will not submit it to the jury.

WHO, then, decides the issue of whether the hazard has been increased—judge or jury? Generally, it is a question of fact to be determined by the jury. However, in certain exceptional cases, as in the landlord-tenant bootlegging situation, the court may hold that the question is one of law to be determined by the judge.[38] Some courts distinguish in this connection also, between physical and moral hazard, holding that physical hazard is to be determined by the jury, while moral hazard is a question for the judge.[39]

Evidence of experts is generally admissible, particularly when the situation is such that a jury of laymen have not sufficient, personal experience to determine whether or not

(Continued on page 30)

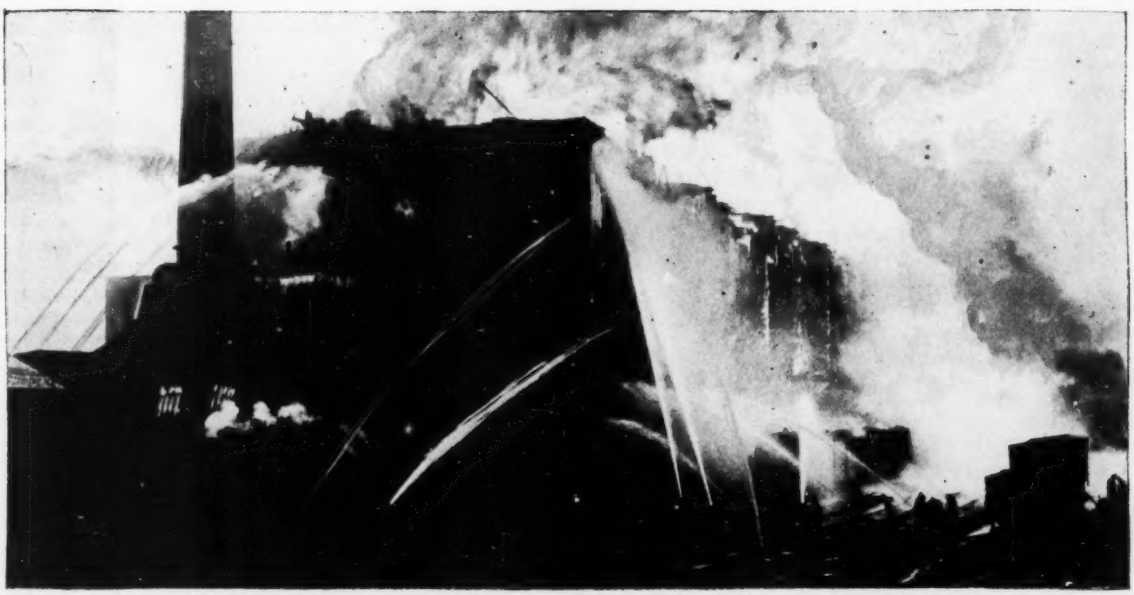
[36] *State Ins. Co.* v. *Taylor,* 14 Colo. 499, 24 Pac. 333 (1890). See also *Loud* v. *Citizens Mut. Ins. Co.,* 68 Mass. 221 (1854); *Breuner* v. *Liverpool & L. & G. Ins. Co.,* 51 Cal. 101 (1875). *Cf. Fayle* v. *Camden Fire Ins. Assoc.,* 85 Mont. 248, 278 Pac. 509 (1929); *Royal Exch. Assur.* v. *Thrower,* 246 Fed. 768 (C.C.A. 5th, 1917).

[37] *Taverna* v. *Palatine Ins. Co.,* 228 App. Div. 33, 238 N.Y. Supp. 389 (4th Dept. 1930). See also *Miller* v. *Union Assur. Soc., Ltd.,* 39 F. (2d) 25 (C.C.A. 8th, 1930).

[37] But see *Miller* v. *Union Assur. Soc., Ltd., supra* note 36.

[38] *Taverna* v. *Palatine Ins. Co., supra* note 36; *Cofaro* v. *Queen Ins. Co.,* 217 App. Div. 197, 216 N.Y. Supp. 564 (4th Dept. 1926).

[39] *Lawver* v. *Globe Mut. Ins. Co.; Davenport* v. *Firemen's Ins. Co.,* both *supra* note 11; but see *Petranek* v. *Bohemian Farmers Mut. Ins. Co.,* 44 S.D. 550, 184 N.W. 798 (1921).



Increase of Hazard Often Occurs Without the Assured Knowing of the Added Danger

Chamber of Commerce

(Continued from page 12)

perience," said the latter company, "has been that whenever we made a job safe, we also increased the production from fifteen to one hundred fifty per cent."

IF you will pardon the reference to my own company, I should like to cite the experience of a large textile plant in New England whose management wholeheartedly adopted our safety program. This plant, one of the oldest and largest cotton mills in the country, employs a large number of men and its buildings cover some fifteen acres of floor space. When we came into the picture in 1926 the risk was paying a rate which was approximately sixty-seven per cent in excess of the average rate for the industry.

Our Engineering Department first surveyed the plant to remove purely physical hazards. Every machine and mechanical device was suitably guarded. In the belief that four out of five accidents are traceable to careless men rather than unguarded machines, we began a safety program designed to reach every man in the shop. Thirty Department Heads, known in the textile business as overseers, were constituted the General Safety Committee. Operating directly under them a smaller group was formed consisting of four overseers, a nurse, a safety inspector and the employment manager. Monthly meetings were held and charts, photographs and motion pictures, especially designed for the particular hazards of mill operation, were shown.

The first year the plan was in effect a saving of fifty-six per cent was made in the cost of settling all claims. The second year a saving of sixty-eight per cent was recorded. During the entire policy year of 1928 the assured did not have one single lost time accident and during the succeeding two years there was but one lost time accident.

From an excess of sixty-seven per cent above the average rate paid on similar operations this employer, through effective accident prevention, is now enjoying a rate which is approximately thirty-six per cent less than the average for this type of risk. This rate will be still further reduced because the present rate by reason of the mechanics of the experience rating plan reflects in part the previous unfavorable experience. This will be eliminated at the next renewal and the employer will receive a further substantial reduction.

This is not an unusual case. Hundreds of other plants are doing the same thing, and yet the general trend of compensation insurance costs is constantly upward, and employers individually and through their associations are asking why this is so.

THE first reason is that plant managers generally do not take the personal interest they should take in the matter of accident prevention. It has been demonstrated time and time again that this is not a matter that can be left to a subordinate officer. It is invariably true that when the entire organization understands that the head of the business insists upon safe practices, a satisfactory result can be had, and that in the absence of this understanding the result is almost certain to be unsatisfactory. It follows that not enough heads of businesses have taken the steps they should take to make safety a definite and compulsory part of plant routine.

The second difficulty in the situation has been the lack of interest on the part of employers generally in compensation legislation. I am not referring to the gradually increasing benefits that have been provided under the law, because in many instances employers have approved these increases as being in line with modern social progress. I do refer, however, to the details of the administration of the law; to the indefiniteness of many of the provisions of compensation acts; to cumbersome and expensive procedure in the adjudication of claims, and to the lack of interest by employers in the type of men appointed to industrial boards and as arbitrators.

The third and a most important factor is the indifference on the part of employers to the substantially increasing cost of hospital and medical care. In our own company for the ten-year period from 1918 to 1928 the average medical cost on compensation cases increased 85 per cent, and the trend has been constantly upward during the past three years. As a matter of fact, it has been perfectly obvious that a vast number of our friends in the medical profession with reduced incomes from private patients have endeavored to make up the difference by higher charges upon industry already carrying about all of the burdens that it can bear.

Since the enactment of compensation legislation tremendous advances have been made in traumatic surgery and in the care and rehabilitation of men injured in industry. When employer and insurance carrier have met the situation frankly, we find the most modern, scientific and up-to-date clinics, hospitals and surgical staffs, giving to the injured employee the best that money and brains can provide. Where this situation prevails we have not only substantially reduced loss of manpower but a reduced cost of compensation insurance.

There are still, however, many communities and many employers who have not recognized that the day of the family doctor, honest and conscientious, but without experience in surgery, has passed so far as industry is concerned. I cannot too strongly recommend to them the great desirability of insisting upon efficient, centralized responsibility in the handling of injured men. It is significant and reassuring that the men themselves, often in times past indicating a preference for individual selection of surgeon or doctor, now concede the desirability of handling this phase of the problem in accordance with the best modern practice.

TURNING now to the subject of automobile insurance, let us consider the increased cost and see whether we can get at the factors that are responsible.

It seems to me that this situation divides itself into three factors: first, our inability to control highway accidents; second, the lack of realization on the part of jurors that high verdicts mean increased cost to motorists; third, the tremendous increase in the number of fraudulent claims.

To speak frankly, there are times when I become skeptical of the willingness of our car drivers to put the care and restraint into their driving which are necessary to mend matters. Surely we can't get away from the fact that plain downright carelessness on the part of the man at the steering wheel is the only admissible explanation for three-fourths of the accidents which happen. Human nature,

which is always seeking a plausible excuse for what it wants to do, is prone to search out some hidden and remote cause for such vast effects as the gigantic loss of life and property which flow from the operation of motor vehicles. People should cease to delude themselves. There is no mystery about this matter. Endless surveys and studies without number confirm the verdict of common sense and bring these appalling losses right back to our own doorstep. We are all driving too carelessly and too recklessly and without proper realization of the potency of the death-dealing weapon in our hands.

Yet it is encouraging to realize that there is also a brighter side to this picture. Many keen business men realizing the seriousness of the situation and their responsibility to the public, and appreciating also the opportunity of reducing expense, are waking up to the fact that the accident problem won't solve itself. Here again let me illustrate: A large food products company whose business is known to all of you, operated 2500 motor vehicles in all parts of the country. In grappling with the task of cutting down their excessive loss ratio, we began by recommending a physical examination and a road test of every applicant for a driver's job. Instead of abstract talks on safety at irregular intervals, we put in operation a regular school and each driving lesson was devoted to only one or two of the major accident causes such as improper backing, improper parking, cutting in, intersection collisions and similar concrete situations. Every man's driving record, the number of accidents involved and their cost, was regularly placed before the management of the company. Within two years the accident cost and also the automobile insurance cost of this great business were cut practically in half. Our engineers were only able to point the way. The company itself deserves the credit for what was achieved.

ANOTHER most reassuring factor in the present situation is the interest that the school children and those in charge of their education have taken in this broad public question of safety on our streets and highways. Following several years of intensive study, our own company some years ago brought out a new program for safety education among children. It was perfectly obvious from the beginning that the cost of establishing this program in any considerable number of the grade schools of the country would be far beyond the capacity of one insurance company or a number of insurance companies to absorb, and yet the plan seemed so simple and so feasible and so likely to produce satisfactory results that we concluded to offer it to all of the schools in this country and Canada on a basis that provided for the assumption by the school of a proportion of the cost.

The response was enthusiastic beyond our fondest hopes and demonstrated very clearly not only the need for practical safety education programs but the earnest desire on the part of those charged with the responsibility of child education in America for assistance in meeting this problem.

Tremendous strides have been made since this program was first offered, so much so, in fact, that now the average child is more "safety conscious" than most of his elders. And yet the elder, too, is interested, and in a vast number of cases is even yearning for knowledge on this subject. I happen to know of a striking illustration of this interest developed through newspaper and radio advertising. Tests were made as to the number of inquiries received and the amount of insurance business secured from newspaper and radio advertising based in one case upon safety education and in the other upon a straight sales appeal. Absolutely without exception the largest number of inquiries came as a result of the safety appeal, with little if any reference to the sale of a policy, and those inquiries also produced a substantially larger volume of business than the appeal that featured sales arguments.

Here we have, it seems to me, undeniable proof that the American citizen wants information, is interested in his own responsibility to the community, and given the story in concise and accurate form, will contribute his effort to an improvement in the general situation.

It is estimated that today six out of every ten of our citizens is a member of a family that owns an automobile. The percentage of automobile owners carrying liability insurance has been on the up-grade for a number of years. One state has passed a law compelling every motorist to carry this form of insurance if he is to use the highways of the commonwealth.

In the past five years eighteen states have passed Financial Responsibility laws requiring the motorist who is involved in an accident to post a bond or file evidence of insurance if he is to continue to use his car.

And yet, in spite of this general trend toward the insuring of all cars, the average jury still awards large verdicts without realizing that the cost is paid in the last analysis by the automobile owner.

NO program having for its purpose the reduction in insurance costs through prevention of losses can succeed until the insurance buyer realizes the truth of three propositions: first, that losses plus the cost of operating claim departments to adjust them absorb 60 per cent to 50 per cent of all the premiums paid to the insurance companies; second, that while insurance companies compute rates they do not make them; and third, that when lower rates are deserved because of fewer losses, the means are at hand to compel the insurers to grant the reductions which are justified.

In this connection it is significant that the insurance business stands alone as respects the extent of the details of its affairs which must be put down in black and white in its annual reports to public authorities. The origin of every penny received and the destiny of every penny expended is reported under oath. Furthermore, many of the states give to the insurance supervising official authority to approve or disapprove the prices charged by the companies.

The result is that the buyer of casualty insurance, unlike the purchaser of any other commodity on the market, is in a position to compel reasonable rates. Similarly, if the cost trend is upward because of the indifference of the motorist to the things that contribute to losses the cost of insurance is certain to go up and justification for the increase is, under the methods followed by the companies, easily produced.

If jurors recognized these facts, I am confident that the verdicts generally would be reduced and in many cases no award at all would be made.

Probably one of the most serious factors in the whole situation is the extent to which the commercializing of claims, both legitimate and illegitimate, has developed into a business almost as efficiently operated as the manufacture of the motor car itself. There is only one way in which this situation can be corrected and that is through an aroused public opinion. Numerous cases can be cited to show both the extent and ramifications of the vicious organization engaged in commercializing claims and incidentally the result of effective public protest and action against these practices.

One of the most recent and conclusive demonstrations is that in Boston. Less than six months ago the situation there had become so bad that there was widespread protest against the extent to which attorneys and doctors were engaged in the prosecution of both fraudulent and grossly exaggerated accident claims. As a result a general committee under the chairmanship of the President of the State Bar Association and including in addition to insurance, public utility and railroad companies, representatives of the Governor, the Registrar of Motor Vehicles, the Chamber of Commerce, the Automobile Club and the State Board of Medical Examiners, was set up to investigate and, if possible, improve the situation.

THE information presented to this committee was simply astounding. The Supreme Judicial Court of the State took cognizance of the situation and entered an unanimous order, at the same time designating a special master to hear the evidence.

The first hearing was held in January. Since that time a number of attorneys have been disbarred or suspended from practice. Other persons have been indicted for making fraudulent claims and some have already been sentenced. Meanwhile, the effect upon those heretofore profiting from this nefarious practice has been startling. Each month since the first of the year there has been a substantial reduction in the number of suits filed and also a very large number of withdrawals in cases previously filed.

In January the number of suits filed in Suffolk County was reduced 29.6 per cent, from 1,798 suits in 1931 to 1,266 in 1932; in February there was a reduction of 24.1 per cent, from 1,293 suits in 1931 to 981 in 1932; in March a reduction of 24.5 per cent, from 1,493 suits in 1931 to 1,067 in 1932; and in April the number of suits was reduced 42.2 per cent, from 1,672 suits in 1931 to 966 in 1932. For the four months there has been an average reduction of 31.6 per cent, from 6,256 suits in 1931 to 4,280 in 1932. What has been done in Boston can be done in every city where this vicious practice exists. But it cannot be done without a general realization on the part of the motoring public and good citizens generally that the situation must be met by a strong and effective presentation of the facts to the court having jurisdiction.

Considering the situation as a whole it seems to me that most of our trouble in this matter as in so many other phases of our American life is the result of our indifference to our duty as citizens. And this extends throughout the ramifications of business, industry and government.

For many years we voted appropriations to government and to the extent to which political maneuvering is interfering with National Progress.

Our disposition apparently has been to "let George do it for us" and the result has been that "George has done it to us." We have piled up tax burdens that are simply staggering. We have been indifferent to the growth of crime and the tremendous penalty we are paying to crime rings. We have come to view the racketeer who has increasingly fastened his tentacles upon our life and our business as an incidental if not a necessary evil to modern life.

We are now in a period of distress that calls for the best that is in us. It seems to me that we have thus far failed utterly to measure up to the needs of the situation. The disposition on the part of the vast majority of our people is that conditions are more or less naturally bad and will continue so for a time, but that the turn cannot be far away and meanwhile nothing need be done.

In the last few months there has been some awakening on the part of our citizenship to a realization that this is a really vital matter to us, and that we can't bring about better conditions until we overcome our present indifference to the things that are wrong in the general picture.

In my judgment if American business men would spend in the next ninety days 10 per cent of the time in considering and acting upon the perfectly obvious things that need attention that they will in golf, we can impress upon Congress and upon all of those having to do with our government and our law enforcement the fact that American business is alert and is not willing to go along as it has during the easy years that have preceded. And, incidentally, if we act instead of simply talking and complaining as most of us are doing we shall enjoy the golf we do play, because we shall have the assurance that we have actually done something to correct the situation.

I HOPE you will not think from what I have said that I have lost faith in American institutions, because that is not the case. On the contrary, I have an abiding faith in those institutions and in this country of ours and I am confident that out of these times of stress we shall emerge stronger and better for the difficulties we have met and conquered. But unless you and I and everyone of us takes a definite personal interest in our common problems we shall postpone the happy day to which we all look when these serious problems that now confront us and distress us shall be matters of history.

We are meeting here in the City of San Francisco which only twenty-six years ago met and overcame the most serious catastrophe that has ever befallen one of our cities. It seems to me that in this fact we can find encouragement to meet our problems and the particular problem we are today discussing, because in the example of San Francisco we have evidence of the American courage and ability to do the job that is before us. And we are fortunate to have behind us in our effort this fine Chamber of Commerce of the United States, of which we in insurance are proud to be a part, whose platform has always been the public good and whose tremendous influence is available for the solution of the problems that are before us, including our particular problem of reducing the tremendous toll of life and limb and property through accidents in home, in field, in factory and on the streets and highways of our country.

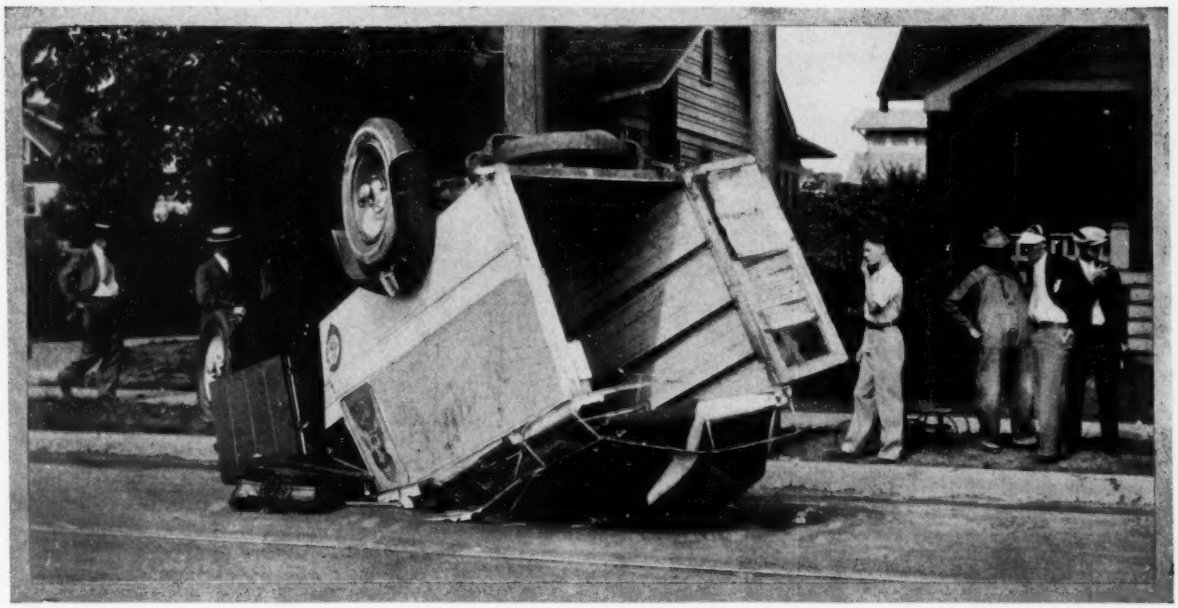


Photo by P. & A.

Accidents Do Not "Just Happen"—They Are the Result of Definite Causes, Mostly Carlessness

Post-Graduate Driving

By ROBBINS B. STOECKEL

Commissioner of Department of Vehicles
State of Connecticut

EVERY new motor vehicle operator who becomes licensed and begins to drive in street and highway traffic has still a very considerable amount to learn. An examination cannot well cover all traffic complications and emergencies, nor can it be made to discover unerringly how any particular person will respond to them upon their occurrence. Yet each operator surely will soon find many occasions for which his present acquired knowledge is so inadequate that he must, often on the instant, draw upon the reserves of alertness and common sense which he is supposed to possess.

But after a while, when he has secured to himself enough experience to get confidence in his own ability, not only for self-performance, but in the correct diagnosis of the possible driving intentions of other operators, he settles down, decides sub-consciously that he has seen every known form of danger and difficulty, and is master of how to meet each. And so his traffic habits being established, including in them the proper amount of care and caution for his own guidance, his driving becomes more or less a routine in the course of which he performs those driving acts which will reasonably carry him through the necessities of his own particular case. To illustrate: A cab-driver on city streets will have far more advanced and skillful habits for crowded traffic than a farmer who takes his produce from his farm to his county seat over country roads. But on the other hand the farmer's habits will be the better for rough and uneven roads.

But it seems to be a fact that in these habits of every automobile operator there is usually a *bete noire*. Somewhere, there is an act of driving which each dreads to perform and which, if he can, he will avoid as he would the plague.

Are there not many operators, otherwise competent who, feeling doubt as to ability to properly park a car in an open space between other cars at the curb on a crowded street, either do not drive "downtown" at all unless parking space is assured, or, if they do, go around and around looking for a place "their size," meaning bigger than those at hand? And this even though all the spaces are big enough.

It is not improbable that some automobile accidents may be occasioned through the occurrence of such causes as may be brought about by an unskillful driver trying to do something which he doesn't know how to do, something in which he is not practiced. A man who has to pull and haul back and forth three or four times trying to get into a parking space which his judgment has misled him to believe is big enough for his car and which isn't, may occasion enough impatience among following operators to tempt them to go onto the wrong side of the road and put themselves and others in danger. Such accidents are hardly ever charged to such a cause, because it is too far distant in the sequence of happenings to be directly connected with the result, but fundamentally it is there, and is the real reason which is at the bottom of the occurrence.

New Habits for Old Drivers

SO a program for better and more expert driving on the part of operators who have been passed and accepted and who have had some experience seems needed.

By many publications and by word of mouth it has for a long time been a policy of the state to try to direct the operator who has succeeded in qualifying to scrutinize his own operating conduct. The state is responsible for his qualification as an operator, but only to a certain average perfection which seems to the officials in charge to be sufficiently high so that the probabilities justify the belief that he may participate successfully in traffic. The state cannot go with him on all of his journeys nor instruct him constantly, nor take the responsibility to see that he always drives correctly and well as he becomes experienced. It cannot make sure that he

doesn't develop bad driving habits or allow any of his personal characteristics which might make trouble to predominate.

All of these things, if the state has authorized him as being the average operator required, must necessarily be looked after by himself through criticism and consideration of his own conduct. He must be the "captain of his soul" in this activity. If he neglects to take charge and to run himself as he ought to, then regardless of how well qualified he may have been in the first place, as compared with others, he will become a danger and a menace. But if on the other hand, he does scrutinize himself and learn by experience as he meets with other drivers, then gradually his general conduct as an operator will become better, and his personal characteristics which this conduct emphasizes will become developed. He will soon find that courtesy, skill, kindness, consideration and obedience, none of which he may have known he possessed in any great degree, have all become a part of his driving to an extent where they have become instinctive as he has been compelled to give proper performance. Where a man has no capacity for introspection, or scrutiny and criticism of his own driving, where he has no ability to control himself to the extent required, then he is sure to become an accident maker, no matter how well qualified he may have been when he was first accepted as a driver by the state.

It seems that even well meaning, considerate men, who can watch themselves, yet either through lack of sufficiently varied experience to compel them to learn to do certain driving acts, or through a negligent laziness which makes them decide they do not want to learn to do them because they can get around the problem in some other way, do exist. They are numerous enough so that it is necessary to direct this matter to their attention and to try to persuade them that they ought not to allow anything about automobile driving to go unused and unknown, and that since they don't know how to do some things, they ought to learn them.

It is possible of course, and probably will be urged against this argument, that as a lot of people are being urged to try advanced driving there will be just so many more opportunities for trouble created. This will be on the theory that a large proportion of them may fail to learn, but thinking that they have learned will make more accidents because they now refrain from doing certain things knowing that they don't know how to do them. In the past, education has always produced results. The more education, the better results. It is not believable that anybody can know too much about the operation of a car. Certainly, granting that intelligence and desire must be present if post-graduate driving is to be learned, then those things which cannot be mastered will stand out more clearly than ever in the mind of the person who is making the endeavor and, eventually, doubt as to whether accomplishment can be had or not will be removed. In those cases where it is definitely determined in a man's mind that some particular act cannot be done, it will never be tried. Self-knowledge of limitations is one of the greatest safeguards which goes with motor vehicle operation.

Lessons in Pictures

THOUGHT as to how to secure better accomplishment in advanced driving has brought about a tentative program in Connecticut which may, within a short time, be published as an educational possibility. Through the medium of motion pictures the right and wrong ways of performance of many advanced driving acts can be shown. A film with accompanying lectures might readily show defects and inaccuracies of operation, and a companion set of pictures might show correct performance. Dangerous practices could also be shown. What is apparently now needed, and what each state ought to reach out for, is better and more complete instruction before people present themselves to be operators. Supplementing that a further step in the right direction might provide the educational material to offer each an opportunity to become a post-graduate driver and in that way possibly bring about better general teaching in these specialties.

It is not entirely beyond the realm of conjecture that if the necessity for better study and experience and better ability throughout can be sufficiently clear, and an opportunity to learn from lectures or by watching others as shown in pictures, some may avail themselves of the opportunity presented. If this happens, then, in the aggregate, more experienced driving than is now found is bound to be the result.

This program, indicated now as to possible development, may lead to the preparation of a definite course of study which teachers of automobile driving can use. Such a graduate course in driving cannot do harm and probably will bring, when and if it ever is used on a large enough scale to be effective in connection with the whole mass of people, accomplishment along two lines. It will teach the teachable to do quickly and well those driving acts with which they now have difficulty, and it will positively inform those who are not qualified as to their limitations.

The list of post-graduate performances, including the most necessary, and to which the first efforts for learning ought perhaps to be directed, is as follows:

Skill

Car parking.

Entering proper lane for right and left turns.

Parking on highways.

Proper backing practices.

Getting car out of soft sand or snow.

(Continued on page 30)

Photo by P. & A.

"Stop, Look, Listen" Might Well Be a Warning at Highway Intersections Also

NOTES

(Continued from page 8)

last year was 81c, a decrease of 5c from the 1930 average. The 1931 average rate was 8c less than the 1929 rate and was the lowest in the history of fire insurance in this country.

The average rate of premium for the thirty-one years beginning with 1900 was $1.00 per $100 of insurance. From 1900 to 1909, inclusive, the average rate reached the highest during the thirty-one years, being $1.15.

The net rates of mutual insurance are of course, so much less than the stock rate that there is no comparison.

John A. Arnold Now with Federal Mutual Fire of Boston

JOHN A. ARNOLD of Andover, Mass., secretary of the Merrimack Mutual Fire Insurance Company, the Cambridge Mutual Fire Insurance Company and the Lynn Manufacturers and Merchants Mutual Insurance Company, has resigned his position with those companies and on June 1 became associated with the Federal Mutual Fire Insurance Company of Boston as secretary and underwriting manager according to an announcement by James S. Kemper, president of the Federal.

Mr. Arnold is a native of Wisconsin but at an early age came to St. Albans, Vermont. Following his completion of high school there he entered Middlebury College graduating in 1913.

Two years later he became associated with the Fitchburg Mutual serving as examiner and special agent for eight years. In 1923 he became secretary of the Merrimack and Cambridge Mutuals.

Mr. Arnold has been active in the Mutual Fire Insurance Association of New England, for the past two years serving on the Uniform Reinsurance Contract, Conflagration Hazard and Classification committees. Also he has been active in the Mutual Fire Inspection Bureau as a member of the Executive Committee, and in the Federation of Mutual Fire Insurance Companies serving on a number of underwriting committees of that organization for a number of years.

Capital Stock Myth Being Further Exploded

THE outstanding development of the first four months of 1932 in the insurance field has been the wave of capital stock reductions on the part of both fire and casualty companies. Its coming was heralded by the action of a number of casualty companies late in 1931 in making such reductions and that of one or two of the larger fire insurance companies, such as the National Liberty and the National Union. Soon after the first of the year a number of the smaller companies in the fire field, such as the Fire Insurance Company of Chicago, made substantial alterations in their capital structure. Within the past month, however, there has been a sudden rush on the part of the stock fire insurance companies to put their financial houses in order and eight of the best known fire insurance companies have made large reductions in capital stock, transferring the amount so released to surplus. In the casualty field likewise there has been a sudden acceleration of this tendency and a number of the prominent stock casualty companies have joined the same parade. The table printed elsewhere on page 28 shows the exact reduction for each company and the total up to May 20, 1932. By the time this article is released there will probably be a number of additions to this list, since hardly a day passes without an announcement by another company of its intention to bolster up its financial position by such a step.

This action by the stock companies has no doubt been of great interest to all mutual insurance men, long accustomed to hearing capital stock referred to as "the great bulwark of protection which stands between the policyholder and loss." To learn that the United States Fidelity and Guaranty Company, for example, has reduced its capital from $10,000,000 to $2,000,000 and that the National Surety now has only $3,000,000 in capital stock instead of $15,000,000 must give him a shock equal to that received when he is told that the Continental Insurance Company has transferred $15,000,000 to surplus, and that the Firemen's of Newark has cut its capital in half. Last of all, one may be astonished at the statement that this action is taken in order to strengthen the financial position of the companies involved, as the public has always been told by stock agents that "the greater the capital stock the stronger the company."

Discussing the probable reasons for and possible consequences of this action by the stock companies, we should like to touch upon that point first of all. This procedure by the stock companies of course does strengthen their financial position since the true test of an insurance company's standing, as has been contended by the mutuals for years, is the entire financial structure of the company and that the value of the dollar which is called "capital stock" is not any greater because of that fact.

As William B. Joyce of the National Surety recently said: "It is the purpose of the company to make its financial structure just as strong as can possibly be done, because we all realize that, in time like this, it is surplus that counts."

Under the laws of practically all of the states a stock company whose capital stock is impaired will be liquidated by the insurance department. Which means, if the amount of its liabilities plus its capital stock, which is always listed as a liability, exceed the amount of its assets, the company will be ordered to remove the impairment or go out of business. Consider, as a hypothetical case, a stock fire insurance company which has assets of $50,000,000. It has liabilities, consisting of unearned premium reserve, reserve for losses unpaid, and other like charges, of $35,000,000, a capital of $10,000,000 and a surplus of $5,000,000. Now let us imagine that while the liabilities remain constant the value of the assets held by the insurance company declines to $40,000,000. This depreciation will not only wipe out the free surplus of the company, but will also impair its capital to the extent of $5,000,000. Realizing that the company is technically insolvent the directors can now meet the situation by reducing the capital from $10,000,000 to $2,000,000. This will then give the company a balance sheet which shows $35,000,000 in general liabilities, $2,000,000 in capital and $3,000,000 in surplus. If the Board of Directors is far-sighted and sees that although the capital stock is not impaired at the present time it may be impaired in the future, it is a wise move on their part to reduce the capital immediately and build up the surplus.

At the present time the great majority of the insurance companies in the country are carrying their security investments on the valuations of June 30, 1931, as authorized by the Insurance Commissioners. It will soon be necessary for them to revalue their investments. The Executive Committee of the National Convention of Insurance Commissioners will meet in Chicago on June 22nd, and doubtless will consider, among other things, the basis of security valuation which will be used in mid-year statements, and also the basis which will be recommended at the close of the year.

Whatever new basis is adopted, it seems certain that it will be much closer to actual market values than that of June 30, 1931. The insurance companies must anticipate that they will be forced to charge off, on their books, at least part of the tremendous losses which they have sustained through the depreciation of securities. It therefore behooves them to have every possible dollar in surplus, so that they may make the necessary readjustments without entirely wiping out this fundamental reserve.

E. Ashbury Davis, president of the United States Fidelity & Guaranty Company stated the situation very succinctly in the announcement of his stockholders which told of the company's proposed reduction in capital from which we quote:

"Since July 1, 1931, insurance companies, including life, fire, surety and casualty companies, have with few exceptions carried in their financial statement their investment securities at valuations adopted by the National Convention of Insurance Commissioners, which valuations are approximately the market value as of June 30, 1931. Since that time there has been a considerable shrinkage in the market quotations upon such securities as this and other conservatively managed insurance companies carry in their investment portfolios.

"Although it is generally recognized that market quotations upon such securities at the present time do not constitute fair standards for the ascertainment of their true value, nevertheless it is desirable that your company be placed in the unassailable position of having a substantial surplus, even at present market values, low as they are."

It should be remembered that a great many stock insurance companies, during the boom decade between 1920 and 1930, were really operating in a dual capacity. They were investment trusts as well as insurance companies, and some of them felt that it was unnecessary to make a profit from underwriting so long as financial conditions permitted them to reward their stockholders handsomely through the profits earned by the use of the policyholders' money. A very large number broadened their investment portfolios to include common and preferred stock, some of which have since proved of doubtful value. The tremendous shrinkage which has taken place in the market quotations of such securities is too well known for comment and it was accurately reflected in the decline of such a company's invested assets. Whether the present market values represent the true value of the securities in question may be debatable, but the effect that they have had upon the financial structure of the country at large, and the insurance companies in particular, is not debatable.

It should be remembered, too, that many of the companies which are now cutting their capital stock so sharply have been operating for years with far more capital stock than they really needed. The directors of a stock company, however, undoubtedly felt some embarrassment as to what the public might think in declaring dividends of 25% to 40% on the amount of their capital stock during the boom period. An easy way to solve the difficulty was to declare a stock dividend or increase the amount of the capital stock in some other way. If the capital stock was doubled it would then be possible to pay the same amount of dividends at what was apparently a much more reasonable scale. For example, a company capitalized for $5,000,000 might be paying dividends of $1,000,000 a year to its stockholders, a return of 20%. If it doubled its capital, either by stock dividend or subscription, the same $1,000,000 dividend would now only be 10%. There was no question in the minds of most close observers that in the years of 1928 and 1929 the insurance business was very heavily over-capitalized. The people who had contributed this capital felt that they should receive a return on their funds, and they wished the return to be as high as possible. This very desire for profit, by forcing the companies into the more speculative investment field, is now partially responsible for their troubles.

Capital Stock Reductions in 1932

FIRE

Merchants Fire Insurance Co.	$ 2,250,000
Fire Association of Philadelphia	3,600,000
Fireman's of Newark	9,397,690
Great American Insurance Co.	8,150,000
Continental Insurance Company	15,000,000
Fidelity-Phenix Fire Ins. Co.	11,000,000
Niagara Fire Insurance Co.	3,000,000
Globe-Rutgers Fire Ins. Co.	5,000,000
Rhode Island Insurance Co.	1,000,000
Preferred Risk Fire Ins. Co. of Topeka	150,000
Fire Insurance Co. of Chicago.	657,750
National Liberty Ins. Co.	6,000,000
	$65,205,440

CASUALTY

Fidelity and Deposit Company.	$ 3,600,000
Standard Accident Ins. Co.	1,500,000
National Surety Company	12,000,000
Fidelity and Casualty Company	3,000,000
United States Fidelity & Guaranty Company	8,000,000
	$28,100,000

Oregon Firemen to Go to School THE Association cooperated in by the engineering school of Oregon State College and the State Fire Marshall department will hold a session early in June, at Corvallis.

The Oregon School specializes in practice drills and demonstrations with modern apparatus and equipment and the course is designed to fit the conditions and problems of the smaller cities and towns the chiefs and firemen of which have not the benefit of such instruction.

The entire afternoon of each day will be devoted to such drills, under the direction of experienced fire chiefs of Portland and of the Pacific Coast. The drills will be accompanied by lectures upon the technical features of the demonstrations by the engineering staff of Oregon State College and by instruction in training methods by O. D. Adams, Director of the State Board for Vocational Education. The morning sessions will be given over to papers upon subjects related to practical firemanship and to discussions.

The school is conducted in conjunction with the 13th annual meeting of the Fre Chiefs Association and a large attendance is anticipated.

Employers of Wausau Has Laboratory of Industrial Hygiene THE Employers Mutual Liability Insurance Company of Wausau, Wisconsin, has announced the appointment of Dr. Edward G. Meiter, as director of their newly established laboratory of industrial hygiene.

Dr. Meiter has just terminated an eight year engagement with the Health Laboratory Section of the U. S. Bureau of Mines at Pittsburgh, Pennsylvania, where he was engaged in the studies relating to dust hazards, dust respirators, gas masks and the detection and analysis of poison gases and fumes.

He received his training at Mount Union College and graduated in 1920 with the S. B. degree. From Mount Union he went to the Ohio State University to pursue graduate study in chemistry and chemical engineering, receiving his M. S. degree in 1921 and the Ph. D. degree in 1923. While in attendance at Ohio State he served as an instructor in the department of Chemistry. Later, he served as a part time instructor in the department of chemical engineering at the Carnegie Institute of Technology at Pittsburgh, Pennsylvania. He is a member of the Phi Kappa Tau fraternity and the honorary scientific society of Sigma Xi.

Dr. Meiter has written numerous scientific articles which have been published in government reports and the technical press. His name appears in "American Men of Science" and "Who's Who in the East."

Have You Had Your Iron Today? AMONG the many men who find their sole means of support in the generosity of various casualty insurance companies, Gerald Bodeen holds an honored (?) place. After partaking of a hearty meal in one of the restaurants of Chicago, this accomplished gentleman, made his way to the manager to complain of a hard substance which had lodged in his neck. An X-ray picture revealed that he had swallowed a nail. On the strength of his assertion and the X-ray pictures the casualty company which was insuring the restaurant's liability paid him $45 in full settlement of his claim.

The head of the adjusting department, however, took a look at records of his information bureau and discovered that several claims for nail eating had been made recently. The exponent of an all-iron diet had collected $45 under a policy covering the Woolworth Stores in Chicago; $75 from the New York Central Railroad for a nail supposedly eaten on a dining car; $50 from the Monon Railroad, and another amount because of an alleged injury in Thompson's restaurant in Indianapolis. Continued research also revealed that Thompson's in Omaha had paid a substantial claim to a man who swallowed a nail. A little further investigation revealed that Mr. Bodeen was the individual in question in each case, and that he had apparently adopted this method of seeing the country at the expense of the insurance companies. He will now have an opportunity to satisfy his craving on the iron bars at a local jail, where he will be detained six months.

Later News From the Surplus Front DIRECTORS of the Maryland Casualty have approved a plan for reduction of the par value of the company's stocks from $10 to $2 a share. There are five hundred thousand shares outstanding which will mean a reduction in capital from $5,000,000 to $1,000,000. The difference will be transferred to surplus. A special meeting of stockholders has been called for June 14th to ratify the proposal.

Well, Well, Uncle Edson! Have Chickens Come Home to Roost? AN offer on the part of the New Amsterdam Casualty to purchase the entire outstanding shares of stock of the United States Casualty Company (Edson S. Lott, President) and to reinsure its business has been approved by the directors of the United States Casualty Company and is scheduled to be formally passed upon by stockholders June 14th. Under the intended program the United States Casualty will continue as a distinct entity and will carry on with virtually its present office and field staff. The interests of the New Amsterdam and the United States Casualty will be represented by the election of Norman R. Moray as First Vice-President and Director, while several members of each of the associated companies are to be given places on the board of the other.

This company was stricken by the very severe shrinkage in the market value of its securities on top of a heavy loss ratio on some classes of business, such as automobile buses. Recently the company withdrew from all territory west of the Mississippi River, save for its agency in San Francisco.

"Uncle Edson" has been for many years one of the most active of the anti-mutual propagandists.

Mutuals Have Underwriters Conference THE Annual Underwriting Conference of the Federation of Mutual Fire Insurance Companies was held in the Hotel Statler at Cleveland on May 25th and 26th. Approximately one hundred representatives attended the meeting on behalf of their companies.

Chase Smith of the National Retailers Mutual Insurance Company presided at the meeting and guided the discussion in an admirable fashion. Almost every phase of insurance underwriting came in for thorough consideration and every one present agreed that a great deal of valuable information was interchanged by the members.

This year, as at previous similar gatherings, a short talk on some particular problem was used to start discussion on the question which it presented. Twelve topics were treated in this way but a number of others were raised through questions from the floor and almost every one present gave the conference the benefit of his experience in some line or other. The discussion leaders were J. E. Robb of the Mill Owners Mutual Fire Insurance Company; Harold U. Brown of the Hardware Dealers Mutual Fire Insurance Company; F. W. Purmort, of the Central Manufacturers Mutual Insurance Company; Carl W. Trapp of the Western Millers Mutual Fire Insurance Company; George A. Minskey of the Michigan Millers Mutual Fire Insurance Company; H. J. Pelstring of the Pennsylvania Lumbermens Mutual Fire Insurance Company; J. B. Knight of the Millers Mutual Fire Insurance Company of Fort Worth; J. P. Gibson, Jr., of the Excess Underwriters, Inc.; A. B. Kelly of the American Mutual Alliance; I. T. Saltmarsh of the Indiana Lumbermens Mutual Insurance Company; E. C. Nail of the Lumbermens Mutual Insurance Company and Gilbert Irons of the United Mutual Fire Insurance Company.

District of Columbia Proposing Safety Responsibility Law A BILL has been submitted to the House of Representatives by the House District of Columbia Committee to provide for financial responsibility of owners and operators of motor vehicles in the District of Columbia. The Committee report states "Safety responsibility laws applying to motor vehicles now in effect in many of the states, your Committee is advised, have proven entirely satisfactory. The purpose of this bill is to prevent the careless judgment-proof automobile driver from endangering lives and property in the District of Columbia."

Nearly 17,000,000 Auto Owners Are Uninsured ACCORDING to recent estimates the number of private passenger cars which are not insured for public liability insurance is approximately 16,723,522. This is out of a registered total of 22,299,552 cars during 1930.

In Arkansas, Mississippi, New Mexico, North Dakota, Oklahoma, South Dakota, South Carolina, Texas and Wyoming less than ten per cent of the cars registered were listed as insured. Connecticut showed the highest rating with 56 per cent of the registered cars listed as insured, New Jersey was next with 52%, New Hampshire with 48% and New York and Vermont both showed that 43% of the registered cars were insured. As to the number of uninsured cars in the state, Ohio led with 1,214,528 uninsured cars and California, Illinois, New York, Pennsylvania and Texas all have more than one million cars each estimated as uninsured.

Evidently Somebody Blundered A SUIT has been filed in the Supreme Court of New York County by Superintendent of Insurance George S. Van Schaick to recover five million dollars from former directors and officers of the Equitable Casualty and Surety Com-

(Continued on Page 30)

pany, now in process of liquidation. The Superintendent's complaint charges the directors with neglect of duty and alleges that a substantial loss resulted which caused the failure of the company on December 31st, 1930.

Hazard in Fire Insurance

(Continued from page 21)

the circumstances constitute an increase of hazard.[40] Thus, insurance experts may testify that companies require a higher premium for insuring premises as they existed subsequently, than as they were at the inception of the policy. Such evidence will be relevant as tending to prove that the changed situation constituted an increase of hazard, but it is *not conclusive* of the issue.[41] The judge and jury may be guided by such testimony, or not, and may give such weight to it as they see fit—they, and not the insurance experts, are the final arbiters of whether there has been an increase of hazard avoiding the policy.

[40] *Traders' Ins. Co.* v. *Catlin, supra* note 30.
[41] See *Royal Exch. Assur.* v. *Thrower, supra* note 35, at 772.

Post-Graduate Driving

(Continued from page 26)

Courtesy

Keeping to the right.

Correct use of hand signals.

Consideration for Pedestrians.

Crowding of front seat.

Actions in traffic.

Overtaking and passing other vehicles.

Action when road is white lined.

Granting right of way at intersections.

Traffic

Informatory speed system.

Right of way.

Use of head lights.

Use of horn and mirror.

Action at "Stop streets."

Action at traffic control devices.

Unity of All Insurance

(Continued from page 9)

overdone; it must not be carried to the point of flatly denying the usefulness or necessity of synthetic correlation. Nor can excessive specialization be successfully defended by pointing to the specializing tendencies prevailing in the legal and medical professions and among the engineering and mechanical trades. The point is not well taken because all the members of these trades and professions are given a comprehensive theoretical and practical common preliminary training of many years on general lines or in other words they have passed through the rudimentary spelling course and know the common ABC of their respective sciences, professions or trades. On the other hand, the vast majority of those connected with insurance either as a business or for theoretical research have taken it up at the end of some other course of preliminary education not devoted to insurance. They are, therefore, ignorant of the common ABC of it, nor do they, as a rule, acquire it by subsequent study.

What is noticeable in our intellectual life generally is also plainly apparent in the narrow field of insurance science. The great bulk of those concerned with insurance evidently consider this limited field still too large and wide. They accordingly turn to a specialty within the special field, trying to become as expert as possible within that reduced compass. What prevails is division rather than the effort to grasp the whole and the aspiration and capacity for unity.

The term unity is used here in its economic sense, more particularly what it stands for in national economy. The economic element is the foundation, the primary cell of insurance. Without insurance economy there can be no insurance law, no insurance medicine, no actuarial theory or practice; for the very first and original cause and antecedent condition of all insurance is the economic uncertainty of life, a fact the reality of which has been forcibly borne in upon our present generation by the experience it is passing through everywhere in the world.

When faulty reasoning is avoided, the unity of all insurance in its economic and technical as well as its legal aspect cannot be denied. That, however, does not mean that everything that is popularly called insurance really is insurance. In this connection we merely refer to so-called self-insurance, an expression which quite frequently designates the very lack of insurance, for instance, when fire or liability underwriters decline indemnity beyond a certain percentage and their promise to make good becomes void in case the insured should place the uncovered percentage of the risk with another underwriter.

WHAT we have said so far is by no means put forth for merely theoretical reasons but is intended to serve very practical aims and objects the realization of which is most desirable in the interest of the insurance business and insurance science as well.

From the theoretical view of the unity of insurance there follows the practical need for—

—uniform preliminary insurance training,
—uniform insurance language,
—uniform fundamental principles of insurance,
—uniform organization of insurance research.

First, as to uniform preliminary training and language, my own experience with regard to a great number of professional insurance men in Germany and many other countries goes to show, as mentioned before, that they are lacking in what e.g. the members of other learned professions, like the legal and medical ones, have in common, viz., the preliminary training and language. Divergencies and failure to understand one another are at present very wide and frequent: The fire underwriter fails to understand the life insurer, the liability man is unfamiliar with the terms used in the hailstorm branch, because, with extremely few exceptions, they have had no common preparatory training for the underwriting profession or if they did have one, it was almost invariably confined to underwriting in, say, the fire, life, social, or another branch, as the case may be, even then being usually restricted to some sub-division of the respective branch.

This divided state of the great majority of those connected with the insurance business, their separate and independent carrying on and the lack of touch among them are detrimental to each individual branch of insurance as well as to insurance as a whole. It is quite clear, indeed, that if at least the higher and the leading officials in each branch of insurance were also interested in all other branches, and above all if they were capable of being so interested on account of an identical preparatory training, this would result in a far greater and more fruitful mutual exchange of experience than that now taking place. Besides, it would certainly lead to far more effective cooperation in the advancement and propagation of the insurance idea generally with a view to spreading it and rendering it popular everywhere.

The view here advocated is sure to meet with special appreciation on the part of all those who were in agreement with the memorial presented to the last International Congress of Actuaries at Stockholm, in which the one-sided nature of these congresses is duly emphasized and the demand is

made to extend and supplement the organization of this learned body of research for the purpose of making it more universal.

Indeed, is it not a fairly untenable condition that none but the actuarial side of life insurance should have a permanent organization in all civilized countries and that the economic, legal, and medical aspects of life insurance should at best, and as a matter of gracious courtesy be accorded a modicum of space on the congresses held for the benefit of that organization, while all other branches of insurance, especially all kinds of property insurance, are simply ignored, which fate is at least frequently shared by social insurance?

I, therefore, join with great enthusiasm in the call sent to Stockholm for generalizing and enlarging the international congresses for insurance science, and I am convinced, once international business shall have been restored to a healthy condition, that the international science of insurance as well will come in for its due share of general recognition. For whoever shall survive the present world-wide crisis will at least have learned this much from it that in the future everybody will have to give far more serious consideration than he used to do to the uncertainty of both his physical and economic life. Therefrom, however, possibilities never dreamed of will result for further developing the insurance idea.

Origin of Windstorms

(Continued from page 15)

ments regarding variations in these losses may be made.

Consider first total losses for the country by years of occurrence. The table given shows an average annual loss of $31,170,596 for the thirteen year period. Annual losses, however, varied greatly from this average. In 1923, for example, total windstorm losses for the country amounted to but $8,200,225, while in 1926 such losses exceeded $96,000,000. Again in 1916, 1917, and 1918, losses were $13,926,125, $16,213,250, and $17-172,450, respectively, while in each of the years 1927 and 1928 the losses exceeded $50,000,000.

The variation in damage within some of the states was even greater. Florida suffered $115,371,300 in wind damage during the period, or an average annual loss of $8,874,715. The range in losses from year to year within this state is remarkable. In 1920, only $1,000 in losses were reported while in 1926, $78,985,650 in losses occurred. Another example is the state of New York which is not affected by hurricanes. In some years practically no losses were reported but in 1921 losses exceeded $2,200,000. The variations in a number of other states were great, but they need not be cited here.

Conclusions

ANNUAL windstorm losses vary greatly by region of occurrence as well as for the country as a whole. While this type of loss does not compare in size with that caused by fire each year, nevertheless it is important. As the country continues to grow and property values increase, windstorm losses likewise will grow in importance.

In many states windstorm losses are so frequent and so severe that most property owners do not question the need for some sort of protection. In fact, losses are so great in some sections that underwriters have encountered difficulty in writing the coverage on a successful basis. In many other states, however, because storms are extremely irregular in their occurrence and also because the average loss is not high, many property owners conclude that the risk of a windstorm loss is not worth insuring against. In these states the property owner should realize that if he suffers a loss it will not help him to know that average losses for his area over a period of time are not great.

There is some difference of opinion about the length of time necessary for the accumulation of data showing loss due to destructive winds. One authority believes that data for a period of thirty years are necessary if the law of average is to work at any particular location. Others feel that a twenty year period is long enough. While the controversy cannot be settled at this time, this difference of opinion should be kept in mind in connection with any conclusions which have been drawn from the data given.

It would seem that certain problems will arise if data covering a period of twenty or more years are necessary for the functioning of windstorm insurance on a scientific basis. If data are gathered for such a long period, changing conditions might make it worthless. This would have been true in Florida from 1920 to 1926 when properties were rapidly built and the new construction due to the boom was apparently of a much poorer type than that which existed formerly. In the other direction, such things as progress in prevention, the adoption of building ordinances, and improved construction may take away much of the value of data which covers such a long period of time.

The next article in this series will return to a consideration of the technical side of the formation of windstorms.

Notes

(Continued from Page 29)

Banks Barred as Insurance Agents in Illinois

AN opinion just issued by Attorney-General Oscar E. Carlstrom of Illinois holds that State Banking Corporations have no charter rights to act as agents for insurance companies.

This ruling, in view of the fact that state banks in this state have been maintaining insurance departments for many years is expected to create a sensation in the insurance and banking circles. Insurance agents of the country for many years have protested the appointment of banks as insurance agents on the premise that they yield undue influence in the control of insurance business.

The opinion is based on the banking law and was issued at the request of Oscar Nelson, Auditor of Public Accounts, following the publication by the Department of Trade and Commerce Division of Insurance of a ruling that banks as such would be licensed as agents under the new agents' qualification law. The insurance department at that time established the premise that banks would not be permitted to designate an individual or individuals to act as insurance agents and at the same time share in the commissions collected.

Says Underwriting Should Stand on Its Own Feet

THOMAS F. TARBELL, President of the Casualty Actuarial Society outlined the effective business cycles on the varying phases of casualty insurance at the semi-annual meeting of the Actuarial Society, May 20th. Mr. Tarbell pointed out that the underwriting business must stand on its own feet and that investment profits, if any, and interest on reserves have no place in the rate structure other than that of a possible factor of safety. The past underwriting history of the compensation line, according to Mr. Tarbell, suggests the futility of attempting to make great levels exactly conform to the estimated current loss course and indicates that it might be more advantageous in general to determine rate levels from a long term point of view.

ATLANTIC MUTUAL INSURANCE COMPANY

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This Company has recently enlarged its facilities and now writes, on a mutual profit participating basis, INLAND MARINE, YACHT and OCEAN MARINE policies.

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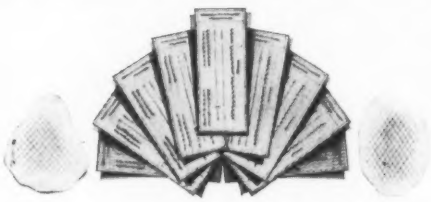

DIVIDENDS

THE interesting thing about dividends is that they have to be earned. Dividends are end results. What goes on to make them possible is more important from a management viewpoint.

For 1931, over $13,500,000.00 in dividends to policyholders was paid by the companies comprising the National Association of Mutual Casualty Companies, of which this Company is a member. No inconsiderable accomplishment for the year 1931!

What exactly made these dividends possible? Well, several things. Economy in acquisition and operating costs. Low loss ratios due to selection of good normal risks, and an organized individual company effort to make these risks better. The co-operation of policyholders in avoiding accidents. Sound investment structures. Good management at the top — good captains all down the line.

Of such elements are dividends bred.

DIVIDENDS AT STEVENS POINT

Since 1914, over $5,200,000.00 in dividends have been returned to policyholders.

HARDWARE MUTUAL CASUALTY COMPANY

Home Office: Stevens Point, Wisconsin

It used to be Friendship

● The old habit of buying insurance purely on a friendship basis is taboo! The new habit of buying protection on the basis of facts has put insurance in a different light for buyers. People are realizing that it is not only important to have insurance, but it must be in a strong, sound company that offers the maximum in protection at the lowest cost. Facts have brought out the difference between mutual and non-mutual companies. It has put the spotlight on the advantages of mutual protection—Lower Net Cost—Financial Stability — Selection of Risks — Economy in Operation — Reduction of Fire Losses. This 180 year old mutual plan has been "fire-tested" as well as "time-tested" and is known as the truly American plan of insurance. It means honest protection at an honest, just cost.

The Federal Mutuals have been operating on these principles since organization. The fact that they have grown year after year stresses the success of the mutual plan. Further evidence of its success is the return of over 40 million dollars by the Federal Mutuals in cash savings to policyholders, the prompt and equitable settlement of just claims, and the maintenance of full legal reserves for protection of policyholders. Careful insurance buyers are turning to the Federal for protection. They have investigated the companies from every angle and are firmly convinced that it is the logical organization for full insurance value.

Think of the Federal First

for safe insurance protection against loss by fire, windstorm and hail.

A trained Federal representative is as near as your telephone. He works from one of the department offices maintained in key cities throughout the country. A telephone call brings him within 24 hours.

Federal Hardware & Implement Mutuals

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HARDWARE DEALERS MUTUAL FIRE INSURANCE CO.
STEVENS POINT, WISCONSIN

MINNESOTA IMPLEMENT MUTUAL FIRE INSURANCE CO.
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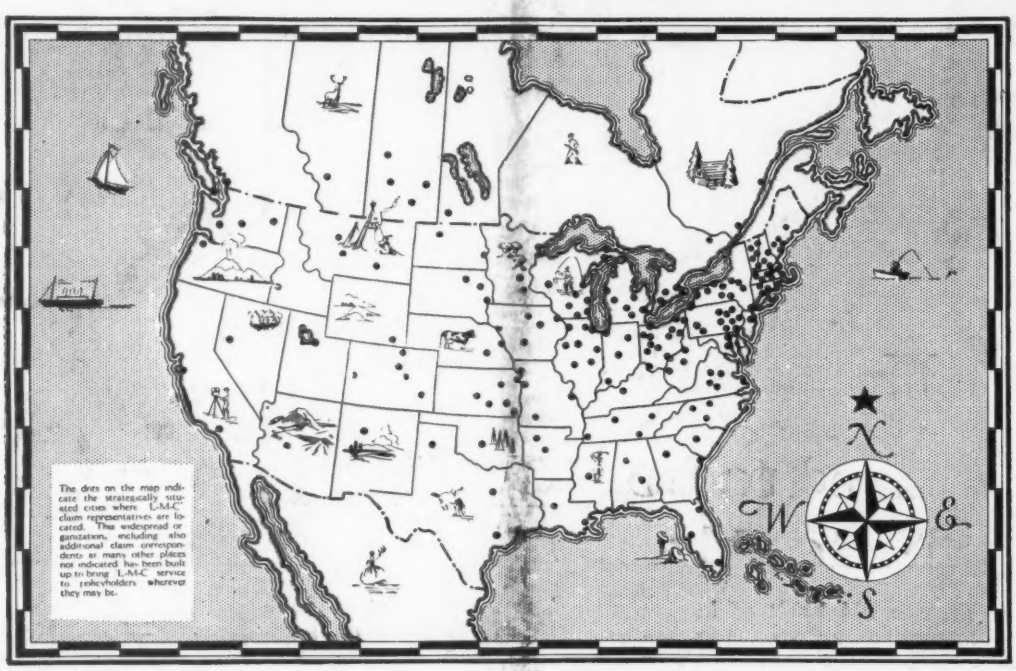
. . . . . *in its twentieth year*



From Los Angeles, California, to Portland, Maine—East or West—anywhere in this country or Canada—day or night—the "L-M-C" policyholder is within easy reach of a company representative if he needs assistance in an accident or emergency.

Thus an "L-M-C" Automobile insurance policyholder on tour, or away from home on a week-end or vacation trip, is assured of the same prompt claim service he would receive in his home community.

Coast to coast insurance service is of major importance to automobile owners today with Financial Responsibility laws in effect in eighteen states and four provinces of Canada.

"L-M-C" Automobile insurance policies meet the requirements of the various Financial Responsibility laws, protecting policyholders not only against financial loss but also against possible loss of the right to operate their car.

1912 L-M-C 1932

For twenty years the "L-M-C" has given sound protection to thousands of motorists—and at a saving.

This saving—which has always been a substantial part of the Automobile insurance premium—comes from selection of risks, prevention of accidents and economical management. "L-M-C" has no stockholders—profits at the end of each year are returned to policyholders.

Substantial dividend savings have been returned annually also on Burglary, Compensation, Plate Glass, Personal Accident and Public Liability insurance and Fidelity bonds.

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AMERICAN MOTORISTS INSURANCE COMPANY